Sasa

making life beautiful

Sa Sa International Holdings Limited

Stock Code: 178

Annual Report 2009/10

The Realm of Beauty

After years of hard work, Sa Sa has built a flourishing kingdom of beauty in Asia while at the same time becoming a dominant player in the cosmetics retail market in the region. Sa Sa will continue to beautify and freshen the lives of its customers, bringing exceptional return to its investors and shareholders, and keeping their dreams and hopes alive so that they may fully enjoy their residence in our kingdom of beauty.

Contents

Corporate Profile

Vision

To be the dominant and most preferred cosmetics retailing group in Asia.

Mission

- Offer comprehensive beauty solutions to customers and create unique experience together;
- Grow and develop with our staff, so that they enjoy work and together we share success;
- Create value to our shareholders;
- Be a good corporate citizen.

Sa Sa International Holdings Limited ("Sa Sa" or "Group/Company") is a leading cosmetics retailing group in Asia. The Sa Sa Group was listed on The Stock Exchange of Hong Kong Limited in 1997 (Stock Code: 178) and its business covers Hong Kong, Macau, Mainland China, Taiwan, Singapore and Malaysia, in which markets it employs over 2,800 staff. Maintaining its position as the dominant and most preferred cosmetics retailing group in Asia is the Group's vision. Our four-fold mission is to offer comprehensive beauty solutions to customers and create unique experiences together; to grow and develop with our staff so that they enjoy work and together we share success; to create value to our shareholders; and to be a good corporate citizen.

According to the "Retail Asia-Pacific Top 500" ranking of Retail Asia Magazine, KPMG and Euromonitor in 2009, Sa Sa is now the largest cosmetics retail chain in Asia and one of the top ten retail groups in Hong Kong. Sa Sa also represents over 100 international beauty brands in Asia, being one of the major sole agents in cosmetics in the region. Sa Sa has grown from a 40 sq. ft. retail space at its foundation in 1978 to become a regional beauty enterprise. Building on innovative cosmetics retailing at best value in one-stop stores filled with leading international brands, its brand strength has become renowned all over Asia. The increasing number of awards the Group has gained both in Hong Kong and internationally reflects this increasing strength.

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

Retail – The Group sells over 400 brands, covering 15,000 skin care, fragrance, make-up, hair care and body care products, and health supplements including own-brands and exclusive products. Its extensive regional retail network currently comprises of over 150 "Sasa" multi-brand stores, as well as a La Colline specialty store, a Suisse Programme specialty store and 24 Suisse Programme counters. Over 14 million transactions are made in its stores annually. Our e-commerce platform, sasa.com, offers round-the-clock online shopping services along with comprehensive product and corporate information. It now serves customers from over 80 countries.

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

Board of Directors

Executive Directors

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

Non-executive Directors

Mrs LEE LOOK Ngan Kwan Christina
Mr TAN Wee Seng

Independent Non-executive Directors

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

Company Secretary

Ms MAK Sum Wun Simmy

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Enterprise Risk Management Consultant

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of Communications Company Limited, Hong Kong Branch
Citibank, N.A.
Hang Seng Bank
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
Sumitomo Mitsui Banking Corporation, Hong Kong Branch

Share Information

Stock code : 178 (The Stock Exchange of Hong Kong Limited)
Board lot size : 2,000 shares
Financial year end : 31 March
Share price at 31 March 2010 : HK$6.06
Market capitalisation at 31 March 2010 : HK$8,431.4 million

Investor Relations

E-mail address: ir@sasa.com

Website

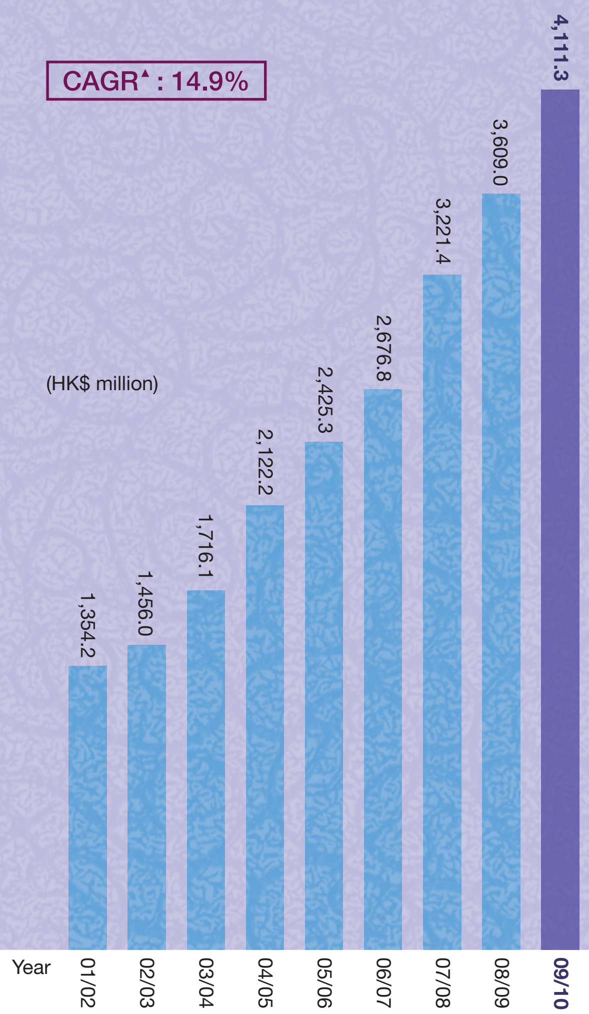
www.sasa.com

Financial and Operation Highlights

Retail & Wholesale Business	2009/10	2008/09
Turnover (HK$ million)	**4,111.3**	3,609.0
Operating profit (HK$ million)	**458.5**	370.1
Profit for the year (HK$ million)	**381.1**	316.0
Earnings per share – basic (HK cents)	**27.5**	22.9
Total annual dividend per share (HK cents)	**28.0^**	23.0*
Return on equity	**31.9%**	28.1%
Net cash & bank balances (HK$ million)	**646.3**	620.5
Inventory turnover (days)	**90**	84

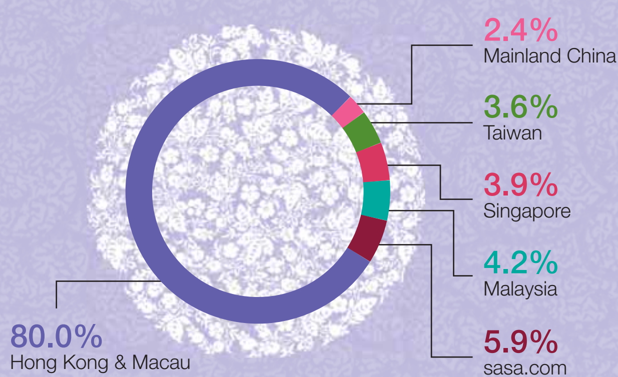
^ Included 20 HK cents special dividend
** Included 15 HK cents special dividend*

Turnover - Retail & Wholesale Business



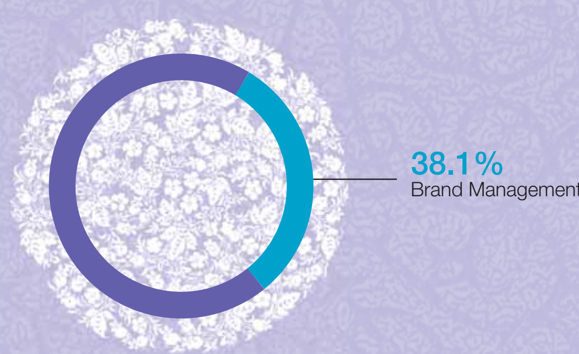
▲ *CAGR = Compound annual growth rate*

Turnover by Region - Retail & Wholesale Business



Total : HK$ 4,111.3 million

Retail Turnover Contributed by Brand Management Business



Group Retail Network in Asia

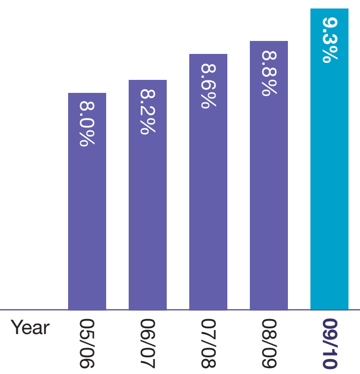
No. of Retail Outlets

	Multi-brand "Sasa" Stores	Single-brand Stores/Counters
Hong Kong & Macau	70	3
Mainland China	17	18
Taiwan	15	2
Singapore	18	-
Malaysia	30	-
Total	**150**	**23**

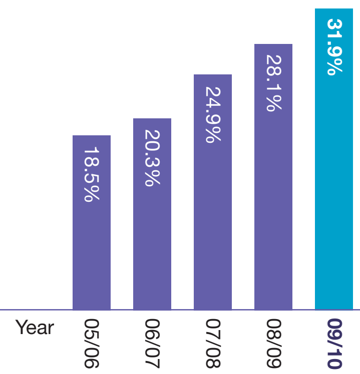
City	Multi-brand "Sasa" Stores	Single-brand Counters
Beijing	7	3
Shanghai	7	2
Anshan	-	1
Changsha	-	2
Chengdu	-	2
Hangzhou	-	1
Shenyang	-	2
Suzhou	1	-
Wuhan	2	4
Nanjing	-	1
Total	**17**	**18**

As of 31 March 2010

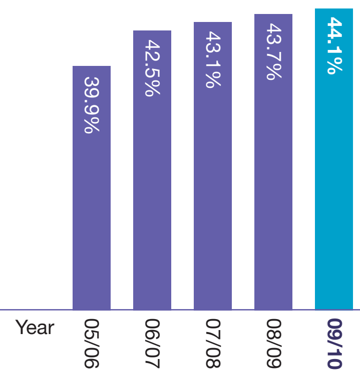
Net Profit Margin (Retail & Wholesale Business)



Return on Equity (Retail & Wholesale Business)

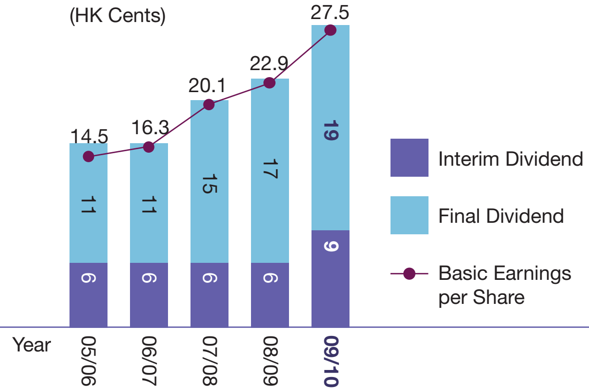


Gross Profit Margin (Retail & Wholesale Business)

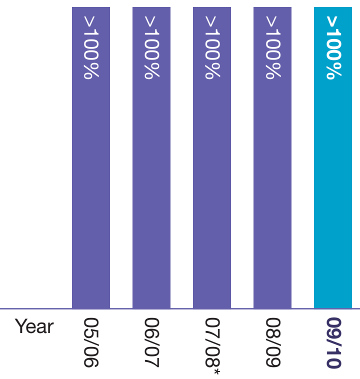


Basic Earnings per Share (Retail & Wholesale Business) & Dividend per Share

(HK Cents)



Dividend Payout Ratio



* *excluded disposal gain of discontinued beauty service business*

SUISSE
PROGRAMME
GIGAWHITE
EYE
ACTIVATOR
ACTIVATEUR
POUR YEUX
SUISSE
PROGRAMME
GIGAWHITE
RADIANT
EYE COMPLEX
COMPLEXE ECLAT
DES YEUX


SUISSE
PROGRAMME
CELLULAR
BOOSTING SOLUTION

Awards and Recognition

RETAIL BRAND RECOGNITION

Sa Sa is the **largest cosmetics retail chain in Asia** and **one of the top ten retail groups in Hong Kong**, according to the "Retail Asia-Pacific Top 500" rankings of Retail Asia Magazine, KPMG and Euromonitor in 2009.

The Group's La Colline shop was awarded the **Retail Marketer of the Year** in the FAPRA Awards 2009 organised by the Federation of Asia-Pacific Retailers Associations.

FAPRA

香港驕傲 Proud
企業品牌選舉2009 – 10

Sa Sa received the **Grand Prize of the Personal Care Retail Category-Judging Panel** for the third successive year in "The Hong Kong Corporate Branding Awards 2009 -10" jointly organised by the Department of Marketing of the Chinese University of Hong Kong and Ming Pao newspaper.

Sa Sa was named one of the **Top Ten Favourite Brands in Hong Kong** for the fifth consecutive year in 2009 by the readers of Guangzhou Daily, one of the most popular dailies in the PRC. Sa Sa also received the **Merchants of Integrity in Hong Kong & Macau Award** in the Cosmetics category for the sixth successive year in 2009.

第6屆"港澳優質誠信商號"
(2009-2010)

Sa Sa was among the **top 10 brands** presented with the **Most Favourable Enterprise with Good Credibility** Accreditation in 2009 by the Reputation Institute, China Enterprise Reputation and Credibility Association (Overseas), Tsinghua University, Asian Centre for Brand Management (ACBM) of the Hong Kong Polytechnic University, Hong Kong Association of China Travel Organisers, and a number of professional bodies.

Sa Sa was awarded the **PRC Consumers' Most Favourable Hong Kong Brands** for the fifth consecutive year and was presented the **Gold Award** in the Most Favourable Brands of the Nation campaign 2009 organised by the China Enterprise Reputation and Credibility Association (Overseas), Reputation Institute and a number of media and professional bodies.

Sa Sa was named the **Most Popular Cosmetics Specialty Store** in the 2009 Retail Chart of Peony Credit Card by China Unionpay Hong Kong Office, Industrial and Commercial Bank of China Shenzhen Branch and Shenzhen Retail Business Association.

Sa Sa was named **Hong Kong Classic Brands** 2009 by East Week magazine in recognition of Sa Sa's quality products and services over a period of more than 30 years as well as Sa Sa's reputation as a popular local brand in Hong Kong.

SERVICE EXCELLENCE

Sa Sa's beauty consultant and store supervisor received the **Service and Courtesy Awards – Junior Frontline Level and Supervisory Level in the Beauty Products / Cosmetics Category** organised by the Hong Kong Retail Management Association in 2009 for the third successive year.

La Colline shop was awarded the **Service Category Leader of the Beauty Products / Cosmetics Category** for the fifth consecutive year, and the winner of the highest award – **Service Retailer of the Year** for the fourth time – in the 2009 Mystery Shoppers Programme organised by the Hong Kong Retail Management Association.

Awards and Recognition

CORPORATE BRANDING & MANAGEMENT

Sa Sa was named the **Best Mid Cap company** in Hong Kong in the Asia's Best Companies Poll 2010 conducted by FinanceAsia magazine.

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

Sa Sa received the **Platinum Award in the Non-Hang Seng Index (Mid-to-Small Market Cap) Category** of the Best Corporate Governance Disclosure Awards 2009 organised by the Hong Kong Institute of Certified Public Accountants, in recognition of Sa Sa's most outstanding corporate governance disclosures and practices among the peers.

Best Corporate Governance Disclosure Awards
最佳企業管治資料披露大獎

Sa Sa received the **Certificate of Excellence** in the IR Magazine Hong Kong & Taiwan Awards 2009, as one of the 58 top performers among over 1,800 listed companies in Hong Kong and Taiwan.

Sa Sa was awarded the **5 Consecutive Years Caring Company Logo** in 2009/10 by the Hong Kong Council of Social Service.

5 consecutive years
商界展關懷
caringcompany 2005-10
Awarded by The Hong Kong Council of Social Service

sasatinnie

Super Dolly Powerful Curling Mascara received category award from only-lady.com, a leading PRC beauty site

Users' comments:

...It's GREAT! Does exactly what it says, doesn't clump nor smudge, and lengthens my lashes a lot…It's especially good for those who have difficulties to reach lashes in the outer corners of the eyes: it has tiny combs in the brush's tip, which is quite helpful and clean.
Mariana Aguiar, Rio de Janeiro, Brazil

This mascara is great. It makes my eye lashes look lengthy and thick with only one coating…
Heidi Gao, Wiley Park, Australia

...It is long lasting; smudge-proof, sweat-proof and water-proof. It lengthens and thickens your lashes with a notable difference.
Huey, Australia

Exclusive Distributorship

ALAIN DELON
ALVIERO MARTINI GEO
BERGMAN BEAUTY CARE
byblos
Cabotine BLEU
catwalk
CAUDALIE

CELLEX-C
COLLISTAR MADE IN ITALY
CYBER COLORS
Disney
HE WOOD DSQUARED²
DUCATI
Ed Hardy by Christian Audigier
Elizabeth Arden

Ferrari
FERRE
GUESS
肌っ子
ICEBERG
IN ESSENCE aromatherapy
JAGUAR
La Colline Swiss Riviera Beauty Treatment

LA PERLA
lotto
Méthode SWISS BEAUTY CARE
MIDNIGHT fantasy
NATIO NATURAL AUSTRALIAN BEAUTY
NUXE PARIS
PAL ZILERI fragrances
parah

Paris Hilton
PERRY ELLIS
POLICE PARFUMS
PUPA
redearth
Les Parfums Salvador Dalí
SERGIO TACCHINI
SkinPeptoxyl

SUISSE PROGRAMME
SWISS ARMY
SWISS Rituel
TALIKA PARIS
TOUS
TRANSVITAL
TRUSSARDI
UNITED COLORS OF BENETTON.

1978

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

1990

- Opening of the first "Sasa" 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, demonstrating the Group's diverse brand management capabilities.
- Launch of sasa.com offers customers round-the-clock on-line shopping of beauty products.

2002

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

2005

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

2006

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

2008

- 30th anniversary of Sa Sa International Group.
- Opening of the Group's 100th store in Asia.
- Disposal of beauty services business to focus on core retail and brand management businesses.
- Opening of first five stores in Beijing, China.

2009

- Opening of the largest "Sasa" store in Asia (covering 10,000 sq.ft.) in Tsim Sha Tsui, Hong Kong.
- Opening of the first two "Sasa" stores in Wuhan, China.
- Opening of the first "Sasa" store in Suzhou, China.
- Opening of the first Suisse Programme specialty store in Hong Kong.


sasatinnie
sasatinnie


Brightening
Soothing
Moisturizing
sasatinnie
Water Plus
Brightening
Cleansing Lotion

We will continue to expand our presence in the region and to grow at a prudent pace in both our overseas markets and in Mainland China.

Dr Simon Kwok, *JP*
Chairman & CEO

The fiscal year 2009/10 was a challenging one for Sa Sa, as it was for many businesses in Asia. However, despite the uncertain economic times, I am pleased to report that the year produced good results for the Group and we continued to maintain our position as the leading and most preferred cosmetics retailing operation in Asia. This performance was achieved despite the ongoing debt crisis in several European economies, the fragility of the US recovery, and the uncertain outlook for the stock and property markets in Mainland China. All markets and business units of the Group saw increased turnover and improved performance. Due to Sa Sa's growing customer base of local residents and Mainland tourists, Hong Kong and Macau recorded a strong performance. In Mainland China, the Group recorded both turnover growth and same store growth. We opened seven new "Sasa" stores, including one in Beijing, three in Shanghai, one in Suzhou and two in Wuhan. Although sales in both Singapore and Malaysia were affected by the H1N1 swine flu outbreak, both Malaysia and our online business registered significantly enhanced turnover and profits. Once more, we made strong progress in our brand management business.

Results for the year as a whole were satisfactory. However, they reflect a year of two contrasting halves. In the first half of the year, due to the outbreak of human swine influenza (H1N1), sales growth was slow, particularly in Hong Kong and Macau. In the second half, the economy began to gradually improve throughout Asia and consumer confidence grew, especially in the more "open" markets of Hong Kong and Macau. For the full fiscal year 2009/10, the Group's turnover rose 13.9% to HK$4,111.3 million while profit increased by 20.6% to HK$381.1 million.

In addition to the interim dividend of 3.0 HK cents and a special dividend of 6.0 HK cents per share, the Board of Directors proposed a final dividend of 5.0 HK cents per share and a special dividend of 14.0 HK cents per share, payable on or around 31 August 2010 to those persons registered as shareholders as of 26 August 2010, making a total dividend of 28.0 HK cents per share for the fiscal year.

Growth Trajectory

We maintain a cautiously optimistic view for the continued expansion of our businesses in the year ahead and beyond. Our extensive network of outlets, our brand management operations, and our gaining of important footholds in strategic markets, particularly that of Mainland China, support our belief in Sa Sa's strong growth potential. The undoubted strength of the Chinese economy in comparison to many world economies supports this view, as does the further integration of Hong Kong into southern China (which will give another boost to tourist arrivals in Hong Kong), and the subsequent rebound in local consumer confidence.

Chairman's Statement

We believe that we will not only continue to expand in Hong Kong – a market that ensures a solid growth platform for the Group – but also in our other markets of Singapore, Malaysia and Taiwan, and our e-commerce business. We are confident that these less mature markets will accelerate their contribution to the Group in the coming year both in terms of turnover and profit, thereby giving further momentum to the Group's growth trajectory. For our strategy in Mainland China, our priority is to build an extensive network – within the parameters of prudence growth – to help the Group strengthen relationships with suppliers, to become more competitive in sourcing products and securing the exclusive distribution rights of international brands, and also to increase the sales of our own-brands. All of these strategies will facilitate the long-term growth of the Sa Sa Group.

As an essential part of our overall vision for Mainland China, we are now carefully reviewing our expansion strategies under the support of a new Non-executive Director who has in-depth experience of the Mainland business. The central driver of our Mainland strategy is an emphasis on our commitment to the China market through the execution of a long-term strategy study. We will also deploy additional resources and speed up the expansion of our distribution network.

Exclusive brands will be another focus of our vision. We aim to increase the sales mix of such exclusive brands, which in turn will help increase our gross profit margin in the coming years. A higher gross profit margin, together with an increase in turnover, will assist us to address high rental pressures, in particular those existing in Hong Kong.

Looking Ahead

As we look towards the future, we aim to leverage the Sa Sa Group's solid foundation and leading industry status to seek new growth opportunities. In the coming months, we will focus on diversification in terms of markets, product portfolios, distribution formats (such as multi-brand "Sasa" stores and single-brand counters/stores), as well as broadening our appeal to more customer segments.

In addition, in order to support turnover growth, we will further develop our brand building in the region. We will allocate more resources to support the expansion of non-Hong Kong markets while operational efficiency and effectiveness as well as executive management will be improved through better monitoring, enhanced supply chain management and tighter cost controls.

In regard to brand management, our aim is to focus on further enhancing product development, such as introducing more new products and shortening the lead time to market; broadening product categories and concepts; improving marketing effectiveness; and building closer relationships with suppliers and beauty brands.

Conclusion

Due to our highly professional management, robust financial platform, prudent cost controls and expansion strategies, Sa Sa has a long track record of sustainable growth even in the most challenging economic times. We are confident that by leveraging the outstanding and dynamic brand reputation of Sa Sa, we will continue to expand our presence in the region and to grow at a prudent pace in both our overseas markets and in Mainland China. I strongly believe in the traditional robustness and brand strengths of the Group, and I am confident that through thick and thin the Sa Sa Group will continue to drive forward on its sustainable growth trajectory and to reward its shareholders in the years to come.

Our success would not have been possible without the support, resilience and creativity of the Sa Sa "team" of employees and management. I would therefore like to express my thanks to all of you for your loyalty and commitment in supporting Sa Sa's continued expansion and steadily growing reputation. In conclusion, I would also like to extend my gratitude to all our shareholders for their unswerving belief in our vision even in times when the economic headwinds seemed to be blowing against us. Taking into account this spirit of resilience and solidarity, I am fully confident that Sa Sa International Group will reward the faith of both our employees and shareholders with increased shareholder value in the years to come.

Dr Simon Kwok, *JP*
Chairman and Chief Executive Officer
Hong Kong, 24 June 2010

Méthode SWISS
BEAUTY CARE
THERMAL OXYGEN
OVERNIGHT
MOISTURE MASK
OXYGENE THERMAL
MASQUE
VISAGE DE NUIT
Méthode SWISS
BEAUTY CARE
WHITENING
SPOT ERASER
EFFACEUR DE TÂCHES
ECLAIRCISSANT
THERMAL
OXYGEN OVERNIGHT
EYE MASK
OXYGENE THERMAL
MASQUE
YEUX DE NUIT


Méthode SWISS
BEAUTY CARE

Management Discussion and Analysis

For the year ended 31 March 2010, the Group's turnover amounted to HK$4,111.3 million, representing an increase of 13.9% over the HK$3,609.0 million recorded last year. Sales in markets outside of Hong Kong and Macau increased by 31.1%. Both turnover and profitability in all markets and business units continued to improve. The Group's profit for the year was HK$381.1 million, a rise of 20.6% over the HK$316.0 million recorded last fiscal year. Basic earnings per share were 27.5 HK cents, as compared to 22.9 HK cents in the previous fiscal year.

The overall gross profit margin of the Group for the full fiscal year increased to 44.1% from 43.7% last year. The net margin increased by 0.5% to 9.3%. Our inventory turnover days were 90 days as of 31 March 2010.

Market Overview

The fiscal year 2009/10 was a year of two contrasting halves. In the first half, the outbreak of H1N1 swine flu pandemic had a significant impact on tourism and local consumption, particularly from May to July. In the second half of the year, the stock and property markets led a gradual economic recovery. As the threat of H1N1 swine flu receded, the growth in tourist arrivals resumed in August, in particular tourist arrivals from Mainland China. Further relaxation of the Individual Visit Scheme encouraged more frequent visits from Shenzhen residents, a trend that became increasingly clear from Chinese New Year 2010 onwards. Since April 2009, Shenzhen permanent residents have been able to apply for multi-entry visas to visit Hong Kong while non-permanent residents of Shenzhen have been able to apply in Shenzhen for a single-entry visa. These more relaxed criteria now apply to more than two million Shenzhen residents.

The economic stimulus programmes of the Central Government not only contributed to a GDP growth rate of 8.7% in Mainland China in 2009, but they also helped boost domestic consumption. Although the Hong Kong economy contracted severely in the first quarter of 2009 amid the worldwide export slump, Hong Kong's economy quickly rebounded in the second quarter and continued to improve during the rest of the year, along with other Asian economies, particularly that of Mainland China which took the lead in the global recovery process. The net result of this rebound was that the local economy recovered in healthy stages and consumer sentiment continued to improve.

In statistical terms, Hong Kong's GDP returned to positive growth of 2.5% in the final quarter of 2009 following the previous consecutive quarters of negative growth. Overall, GDP growth for 2009 was -2.8%. In terms of the retail sector, for 2009 as a whole, retail sales volume recorded only a small decrease from 2008. For the full fiscal year 2009/10, Hong Kong's total retail sales value increased by 6.4%, while that of cosmetics and medicines rose 12.1%. This bullish performance shows clearly that the appetite for cosmetics has become unquenchable for both local residents and visitors alike.

Due to a combination of broad variety in product offering, "freshness to market" and competitive pricing, cosmetics are ranked among the top items in the shopping list of Mainland tourists in Hong Kong and Macau. Such tourists have already become a key customer sector for the cosmetics industry in Hong Kong and Macau.

Retail and Wholesale Business

Hong Kong and Macau

Sa Sa continued to maintain its market leading position in Hong Kong and Macau. Turnover increased by 10.3% from HK$ 2,981.2 million to HK$3,288.1 million and same store growth increased by 7.1%. Such a buoyant performance was driven by increased revenue from both local residents and Mainland tourists.

Different product and distribution strategies have been deployed to target different market sectors and adapt Sa Sa to the changing market environment. To respond to the weak market demand in the first half, for example, clearance outlets were used to reduce stock level and to benefit from "trade-down" behaviour. As consumer sentiment gradually improved in the second half of the year, Sa Sa opened an image store under the Suisse Programme brand to target discerning customers. Additional targeted initiatives are currently being studied.

Turnover growth was mostly driven by the increase in transactions in the first half of the year, representing an increase in customers and the broadening of our customer base. Average value of transaction improved in the second half along with a steady increase in the number of transactions, which in turn reflected a marked improvement in consumer sentiment. As mentioned above, the H1N1 swine flu alert from May to July 2009 impacted tourist arrivals from Mainland China and in turn our business. When the growth of Mainland tourist arrivals resumed in August, our sales growth also returned to double digit figures. Among several initiatives to maintain growth, effective cost control measures were implemented and inventory management was improved.

Management Discussion and Analysis

Following the success of the Fragrance Fairs held in Taiwan and Malaysia in previous years, a Fragrance Fair was held in Hong Kong during the year to reinforce Sa Sa's retail branding and to encourage new users for fragrance products. Eight new "Sasa" stores were added and four stores were relocated in Hong Kong and Macau. A Suisse Programme specialty store was opened during the year. As of 31 March 2010, there were 70 "Sasa" stores (including eight in Macau), one Suisse Programme specialty store, one La Colline specialty store and one Elizabeth Arden counter.

Mainland China

In fiscal year 2009/10, the Group's turnover in Mainland China increased by 61.3% to HK$97.0 million, and same store growth increased by 13.0%. The loss narrowed to HK$18.6 million, a reduction of HK$8.7 million from the previous year. We opened seven new "Sasa" stores, including one in Beijing, three in Shanghai, one in Suzhou and two in Wuhan.

In order to align with our strategy of forming "clusters" of sales points, we opened four new Suisse Programme beauty counters and closed nine counters to improve overall network performance. This strategy is beginning to reap rewards since we achieved turnover growth as well as comparable store growth for our counter network, even though the total number of counters diminished as compared to last fiscal year. The loss incurred from the counter network gradually narrowed towards the end of the fiscal year and the counter network achieved breakeven point at the operating level in the month of March 2010.

Overall, our performance in Mainland China has improved. This was mainly due to changes in the management team, broadened marketing reach, effective cost control measures, an enhanced product offering and extended product range. As of 31 March 2010, there were 17 "Sasa" stores and 18 beauty counters under Suisse Programme in the Mainland market.

Singapore and Malaysia

During the year, turnover for the Singapore market grew by 15.6% to HK$162.2 million while same store sales growth declined by 1.5%. Performance improved and a small profit was recorded. Sales in both Singapore and Malaysia were affected by the H1N1 swine flu outbreak. In the Singapore market, our initial focus was devoted to improving the stores' operational efficiency and we invested more resources in sales staff training. As the economy in Singapore began to recover in early 2010, these initiatives gave rise to higher sales productivity in the fourth quarter of our fiscal year. Five new "Sasa" stores were added and one was closed during the year. As of 31 March 2010, there were 18 "Sasa" stores in Singapore.

Malaysia achieved a good performance during the year, with turnover rising 24.1% to HK$176.0 million and same store sales increasing 9.5%. This satisfactory performance came on the back of strengthened relationships with suppliers and the broadening of our product offering to maximise our appeal to more customer segments. Our enhanced marketing efforts were exemplified by the holding of the second Sa Sa Fragrance Fair in Malaysia. The famous actress Dynas Mokhtar served as the campaign's ambassador and a series of charity auctions of winning perfumes, roadshows, workshops, talks, sampling and online contests were rolled out. Four new stores were added, bringing the total number of stores in Malaysia to 30 as of 31 March 2010.

Taiwan

Turnover of the Group's Taiwan business increased by 11.7% during the fiscal year to HK$147.1 million. Same store sales rose 8.6% and the loss narrowed to a marginal one. Our performance improved due to more effective marketing promotions, increased brand awareness, broadened product offerings and cautious cost control. The use of spokespersons with a higher public profile as well as a series of integrated marketing campaigns resulted in improved sales of exclusive products. Our Taiwan business pioneered our series of Fragrance Festivals. Once more, in fiscal year 2009/10, a highly successful Fair was held together with promoters from brands such as Anna Sui, Hugo Boss, Gucci, Marc Jacobs and Givenchy. The Fragrance Fair reinforced Sa Sa's status as the category leader in fragrance in Taiwan and strengthened the high-profile retail image of Sa Sa.

Two "Sasa" stores and two Suisse Programme counters were opened during the year. As of 31 March 2010, there were 15 "Sasa" stores and two Suisse Programme counters in Taiwan.

E-commerce - sasa.com

Turnover for sasa.com amounted to HK$240.9 million, an increase of 56.7% over the previous fiscal year. Performance and profitability continued to improve. This robust performance was largely due to enhanced product offerings, a broadened marketing reach, the inclusion of a variety of more user-friendly functions and an upgraded online shopping experience.

Overall, more cost-effective and targeted marketing activities helped increase new customers by 29% and repeat customers by 20%. The gross profit margin rose due to our improved sales mix. More than 200,000 customers have now shopped with Sa Sa and nearly half of them have remained active.

Brand Management

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

During the year, the Group's sales of own-label and exclusively distributed products increased by 12.8%, contributing 38.1% of the Group's total retail sales. Following the shift in focus to mid-to low-end exclusive and own-branded products in the second half of last fiscal year (reflecting market circumstances), the exclusive products launched by Sa Sa during the year were more competitive in the market. Our emphasis on the trendiness and time-to-market of new exclusive products also helped increase the competitiveness of our product offering. Strengthened product development, including more focus on the young peoples' market sector, led to a broader variety of effective new products based on effective word-of-mouth recommendations. The new mascara in the "sasatinnie" own-brand range received the category award from only-lady.com, a leading beauty site in Mainland China.

IT Development

Continuous investment in information technology was made to support the long term business growth and strategic development of the Group. A data centre with increased capacity to cater for future business growth was built. A project to roll out a new real-time retail operational system to improve operational efficiency for markets outside of Hong Kong and Macau commenced during the year. Various systems were deployed and processes were streamlined to improve supply chain management and store operations.

Outlook

We remain cautiously optimistic about the outlook for the coming year. Overall, government austerity and stimulus measures worldwide have improved prospects for global economic stability. Labour market conditions in Hong Kong, along with a gathering economic recovery, have reinforced consumer confidence in our most sophisticated market, including the retail sector. The steady increase in inbound tourist arrivals to Hong Kong and Macau also gives us reason to be confident. Going forward, consumer sentiment should remain firm, with the economy gathering further momentum.

The Hong Kong Government forecasts GDP growth of 4% to 5% in real terms in 2010. Much of this recovery is being driven by a gathering wave of Mainland tourists as a result of the further relaxation of the Individual Visit Scheme. Further integration of Hong Kong and Macau with southern China along with a growing number of infrastructure projects linking Hong Kong, Macau and Mainland China, will further help boost the prospects for tourism. The positive outlook for the Chinese economy, supported by elevated asset prices, should help support confidence.

Nevertheless, there are certain cross winds that may derail the economy, such as an unexpected negative shock to the global economy and financial markets. Such risks may arise from the European debt situation or a worse-than-expected correction in the Chinese property market. Recently, global stock markets have also shown a tendency towards strong volatility and the European Union governments have enacted a series of tough regulatory and fiscal austerity measures, which in turn may lead to a renewed cycle of poor consumer sentiment. On balance, however, we remain optimistic that the Asian recovery will continue and that Hong Kong's GDP will achieve government forecasts of between 4% and 5% growth.

Strategic Initiatives

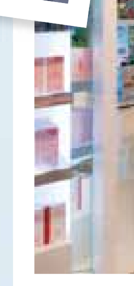
We will continue our diversification strategies in various aspects: namely, markets, product portfolio, distribution and customers. We believe a stronger presence in the region, more attractive and dynamic product offerings, and increasingly targeted exposure to various customer segments through different store formats, will facilitate our long-term growth in the region. This strategy will be supported by more effective resource allocation and reinforcement of our brand building efforts throughout the region.

Management Discussion and Analysis

As one of the major efforts to support the brand building of "Sa Sa" and our fragrance brands, we will continue to reinforce our leading status in the sales of fragrances in each of our markets. The first Fragrance Fair, a pioneering marketing initiative in the region, was held in Taiwan in 2007, followed by fairs in Malaysia and Hong Kong in 2008 and 2009. We will continue to host such fairs in order to broaden our customer base and recruit new users for fragrances. This initiative includes such educational and marketing features as the promotion of different fragrances for different occasions and at different times of the day. We will strengthen our relationship with fragrance brands, thereby further driving their sales growth in partnership with Sa Sa.

We are persistent in striving for better management, and operational efficiency to enhance our competitiveness. These initiatives include the continuous upgrading of our supply chain management, customer relations management, IT infrastructure, business intelligence system, risk management, and various performance monitoring systems and measures.

To equip us for fast growth in the coming years, we will enhance our organisational structure and develop more talents through an extended management trainee programme. We will continue to strengthen our key functions such as product development, category management, marketing and training to complement our growth.



Hong Kong and Macau

Sa Sa aims to create a more balanced store network in Hong Kong and Macau by opening more stores in residential areas. We will continue to open stores in tourist areas, and plan to add at least 12 stores in total in this market. We will increase gross profit by enhancing our product mix to alleviate the rental pressure and to enhance our net margin.

Mainland China

In Mainland China, our recently opened multi-brand "Sasa" stores, as well as our single-brand counter network, have begun to perform well. We therefore intend to accelerate the expansion of our network. We are targeting a portfolio of at least 67 outlets across the country by March 2011. This dynamic growth story will be supported by such measures as enhanced training and human resources policies that discover and promote excellent management. Our commitment to this market will be evidenced by deployment of more resources to speed up the network expansion.

Other Markets: Singapore, Malaysia, Taiwan

Outside Hong Kong, Macau and Mainland China, we will continue to expand our retail network to increase our market share. At the same time, we will enhance our competitiveness by strengthening the brand building of the Sa Sa brand, and we will broaden our customer base by bolstering marketing efforts, improving our product mix, and working more closely with our suppliers.

E-commerce – sasa.com

In regard to our rapidly growing online business, sasa.com, we will continue to increase penetration of sasa.com in core markets while working closely with various beauty brands and online partners.

Conclusion

Sa Sa has a proven ability to achieve consistent growth amidst the most challenging circumstances. Our strength and resilience reflect the Group's high management flexibility, prudent financial management, sound financial platform and innovative growth strategies.

With our clear vision, core strengths, broad customer base and solid business foundation, we will continue to devote our energies to driving sustainable growth, both now and in the future.

Blumarine
BELLISSIMA
PARFUM INTENSE
Fleur de LYS
blugirl


PAL ZILERI
Blu di Provenza
Gianfranco FERRÉ
In the mood for love
PURE
LA PERLA
J'AIME LES FLEURS

As one of Asia's leading companies with a well-recognised brand name and profile, Sa Sa is committed to the sustainable development of the communities in which we operate and to the integration of environmental, ethical and social principles into all our business decisions. We believe that a reputation for integrity and social awareness is one of the most important assets a company can possess. To this end, we have undertaken many social and environmental initiatives over the 32 years of our history, enhancing the well-being and sustainable development of both our Company and the broader community in which our customers live and work.

Caring for the Community

During the year, Sa Sa continued to offer donations and sponsorships to local institutions to support education in Hong Kong, such as The University of Hong Kong, The Chinese University of Hong Kong and Lingnan University. Sa Sa has long participated in the activities of The Community Chest and Po Leung Kuk in Hong Kong. During the year, we continued to make donations to support these organisations' charity shows and programmes, including sponsorship of fund-raising TV shows, and a charity hat sale, which was one of the Ladies' Purse Day events. Other beneficiaries included Hong Kong Breast Cancer Foundation, Suicide Prevention Services, Lifeline Express, Caritas, Hong Kong Federation of Women, Hong Kong Girl Guides Association, Boys' & Girls' Clubs Association of Hong Kong and The Hong Kong Federation of Youth Groups. Donation boxes were also placed in Sa Sa shops to raise funds from our customers for charitable organisations such as the Hong Kong AIDS Foundation and Heifer International Hong Kong.

Sa Sa Executives shared experiences with students in the Accounting and Business Management Case Competition 2009-10 organised by the Hong Kong Institute of Accredited Accounting Technicians Limited, and provided summer internships to the winning team. We also worked closely with City University of Hong Kong in offering internships to its students.

Encouraging Staff Participation in Charity and Community Activities

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

Our senior management continued to lead the way in community participation by "walking the talk". Chairman & CEO Dr Simon Kwok was a Member of the Board of Directors of the Community Chest 2009/10 and Co-Chairman of the Community Chest Campaign Committee 2009/10. Our Vice-Chairman, Dr Eleanor Kwok, was appointed as a Director on the Board of Directors 2009/10 of Po Leung Kuk and Honorary Vice-President of the Hong Kong Girl Guides Association 2009/10. The Group's CFO and Executive Director, Mr Guy Look, has been appointed as an advisor to the Association Internationale des Étudiants en Sciences Économiques et Commerciales (AIESEC) of The Hong Kong Polytechnic University to support students' leadership development. During the year, various Sa Sa executives spoke at seminars and forums to share their experiences with industry practitioners. In May 2010, Dr Simon Kwok was one of the speakers at a retail conference organised by the Hong Kong Retail Management Association. Senior Vice President of Information Technology shared her experiences in knowledge management at a seminar by The Hong Kong General Chamber of Commerce. Meanwhile, Sa Sa's trainers also contributed in the Elderly Mini-U 2010, a tailor-made summer programme for the elderly, sponsored by The Hong Kong Polytechnic University.

Sa Sa launched a two-year programme, "Making Life Beautiful" Beauty Ambassador Training Programme since 2008 when it celebrated the Group's 30th anniversary. During the year under review, Sa Sa trainers continued to conduct a series of make-up, skin care and hair styling courses for senior volunteers of Po Leung Kuk. Over 140 senior volunteers in total were trained under such programme, helping with makeovers for senior citizens in their communities. Other volunteer work included Sa Sa volunteers visiting solitary elders who are relocated as a result of urban redevelopment projects.

Sa Sa also encouraged its staff and their families to participate in various charitable and fund-raising programmes, including the Po Leung Kuk Charity Walk 2010, Po Leung Kuk Charity Bowling Contest 2009, Hong Kong and Kowloon Walk for Millions 2009/10 and Community Chest's Dress Special Day. To raise funds for the Heifer International Hong Kong and to help impoverished families in the Mainland to become more self-reliant, Sa Sa participated in the Race to Feed 2009 event and sponsored the subsequent TV programme.

Extending Support to Greater China

Sa Sa's support for society extends beyond the confines of Hong Kong to the motherland as a whole.

During the year, Sa Sa was the Diamond Partner of the Hong Kong 2009 East Asian Games, in support of the weighty international sports event held in Hong Kong and therefore promoting tourism in Hong Kong. Sa Sa was also the Silver Sponsor for HKSAR's participation in Expo 2010 Shanghai China, in order to contribute to the promotion of Hong Kong's international profile.

During the year, the Group made a donation of HK$1 million to the "Artistes 414 Fund Raising Campaign" to render assistance to the earthquake survivors of the devastating earthquake in Yushu County in Qinghai Province, PRC, and to support charitable organisations in their relief work. Beneficiaries included World Vision Hong Kong, Hong Kong Committee of UNICEF, Caring for Children Foundation Limited, Hong Kong Red Cross and The Salvation Army. Sa Sa also made product sponsorship for an earthquake relief charity sale organized by a shopping mall.

The group has made a donation of HK$450,000 to The Red Cross for the relief projects for the Morakot typhoon victims in Taiwan. Sa Sa was also the title sponsor for the charity programme organised by the Ocean Park Conservation Foundation to raise funds for rebuilding the panda nature reserves in China. The Group continued to be a major sponsor for an annual fund raising event for HIV/AIDS projects of China AIDS Initiative (CAI) in the Mainland, organised by CAI and the Hong Kong AIDS Foundation.

Working for a Better Environment

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

We made strong efforts to encourage customers to use less plastic bags. Our participation of No Plastic Bag Day since December 2006 in all Hong Kong shops changed to a weekly basis in December 2007 instead of a monthly basis, and in March 2009 we participated in the Everyday No Plastic Bag Campaign, with proceeds donated to Oxfam Hong Kong and Greeners Action to support environmental protection activities. Sa Sa also offered fashionable recyclable shopping bags for the convenience of our customers. As a result, plastic bag consumption was reduced by over 50% as compared to the previous fiscal year.

An Environmental Levy Scheme on plastic shopping bags came into effect in Hong Kong in July 2009 and 'Sasa' Shops participated in the scheme. An environmental levy of 50 cents on each plastic shopping bag at the retail level was introduced under such scheme.

Other energy-saving initiatives included the automatic switching off of the lighting and air conditioning in our main offices at non-peak times, the recycling of waste paper, toner cartridges and ink-jet bottles, and the centralising and recycling of carton box and packaging materials in our warehouse and logistics centres. We reduced electricity consumption by about 7% per square foot as compared to the previous fiscal year. We continued the computer recycling initiative including donation of used PCs, notebooks and monitors to charitable organisations, such as The Salvation Army.

Sa Sa also complied with the sustainability guidelines set out in WWF Hong Kong's Seafood Guide, and stopped serving shark's fin at the Group's annual dinner 2010.

Recognition

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

People Development

Sa Sa fully recognises the value and importance of human capital, which has directly contributed to its growth and success. To handle the fast expansion of the Group, the total number of employees has increased to 2,826 as of 31 March 2010 and staff costs for the year under review were HK$554.75 million. To ensure the Group is able to attract, motivate, retain and develop our human assets effectively, we strive to be an "Employer of Choice" by developing an engaged workforce and fostering a positive, caring and supportive work environment.

An Engaged Workforce

An engaged workforce has always been a key component of Sa Sa's winning strategy. We believe that an organisation's success depends increasingly on an engaged workforce that is highly productive and that can greatly enhance organisational performance and thus business results.

Since we strongly realise the importance of recognising employees' accomplishments, we have many different ways of rewarding our workforce. Our remuneration packages are reviewed regularly and differential rewards are granted to recognise and motivate staff. As part of the performance management system, Key Performance Indicators (KPI) are adopted to assure directions and standards are set and met. There are many performance incentives for our employees, and attractive bonus and share options are offered to high performers.

We understand that effective communication with employees is essential to win their cooperation, bolster morale, improve mutual understanding and develop good employee relations. Our culture promotes two-way communications and sharing of views. Employees are encouraged to contribute ideas at regular events such as the Strategic Planning Meeting and breakfast meetings. Company vision and mission, business goals and strategies are conveyed to our employees through various channels including Objective Communication Forum, employee handbook, staff newsletter, notice board, staff e-mail communication and induction programme. Regional meetings and conference calls are held monthly to strengthen our matrix reporting system amongst offices in other Asian countries. Other initiatives included breakfast meetings and sharing sessions, which aim to strengthen teamwork within the shop environment and to enhance communication between management and shops while nourishing the caring culture of the Company through senior management participation.

A Supportive and Caring Work Environment

Sa Sa is determined to develop a supportive and caring work environment in which employees work together harmoniously to achieve good business results, keep customers happy and contribute to the community as a whole. Employees in Sa Sa family are always treated with care and respect.

We endeavour to provide our employees with a measured work-life balance. A great variety of social and recreational activities have been organised for our employees and their families in order to promote a healthy, positive and happy work environment and encourage interactions out of the office. These activities include our christmas party, annual dinner, boat cruises, barbecues, gatherings and so on. In May 2009, we also participated in retail industry singing contest organised by Hong Kong Commercial Radio. All these activities have provided opportunities for Sa Sa to strengthen team spirit and enhance cohesion among employees.

The Company has a strong commitment to the health of our employees and to creating a safe and healthy work environment for them. To this end, a dedicated Health and Safety Committee has been established and regular meetings have been held. We aim to minimise the possible occurrence of injuries, raise hygiene standards and better protect the health of our employees. In 2009, in view of the outbreak of H1N1 swine flu, our own "Swine Flu Prevention Guidelines" were issued to our employees through internal e-mail. During the year, we also arranged a series of occupational safety or health talks. To enhance our preparation for work environment accidents, selected employees attended a First Aid Certificate Course conducted by the Hong Kong St. John Ambulance division.

Training and Development

Excellence of training and career development lies at the heart of the high quality products and services that Sa Sa offers. During the year, the Group provided a total of average 5.2 man-days of training per staff. To support new product launches, we established a series of tailor-made product knowledge training sessions for frontline staff. In addition, the Company commissioned a professional service management consultancy to provide training programmes, including a Neuro-Linguistic Programming (NLP) workshop, in order to upgrade the service and selling skills of our staff.

During the year, we increased the training hours of our Junior Beautician Trainee training programme from 180 to 200 hours, and provided more field coaching for our employees in order to assist the transfer of knowledge and skills. As part of the "Joy@ Sa Sa" campaign, the Company arranged attitude training for frontline and office staff to motivate them to be more positive and pro-active, to maintain work-life balance and to cultivate a culture of mutual respect and appreciation.

To further enhance the overall service standard of our stores and to continue to offer quality service to our customers, the Group invited a renowned professional consultancy to deepen the on-site training programmes of our operational management and staff management; to help the management of our retail stores to strengthen internal management and execution skills; and on the other hand, to strengthen the customer service consciousness of our beauty consultants.

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

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

Industry Recognition

Sa Sa continued to participate in various industry competitions with the aim of enhancing overall service quality and of developing staff to market-leader standards. Sa Sa won the Grand Awards at both Supervisory Level and Junior Frontline Level in the Beauty Products/Cosmetics Category in the Hong Kong Retail Management Association's Service and Courtesy Awards 2009 for the third consecutive year. La Colline Shop won the overall grand award, "Service Retailer of the Year 2009", as well as the "Service Category Leader" award of the Beauty Products/Cosmetics Category for the fifth consecutive year, in the Hong Kong Retail Management Association's Mystery Shoppers Programme 2009. In addition, La Colline's specialty shop attained the highest average score of 97.2% among 126 retailers of 14 retail categories, and won the "2009 Service Retailer of the Year" award for the third consecutive year. Sasa stores also achieved a satisfactory result with an average score of 90%.

Frequently-asked Questions

1

What are Sa Sa's main strengths?

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

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

2

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

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

3

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

A strong training team

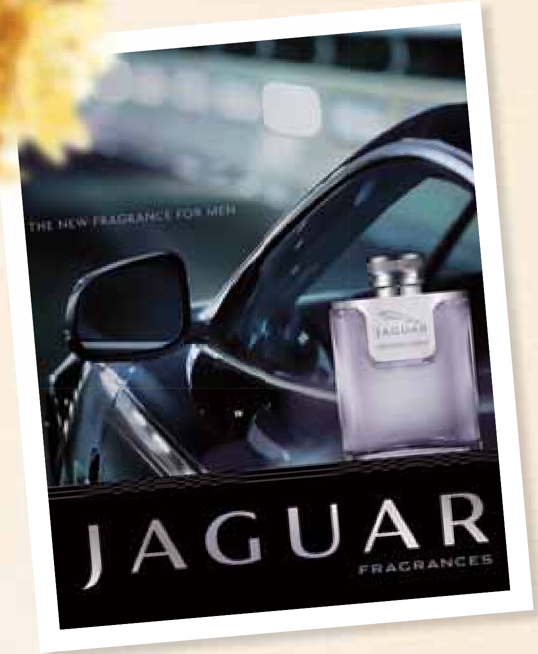
Our training team is specialised in different training programes. These include product knowledge (with different trainers specialised in skin care, fragrance, make-up products and beauty treatments); skin analysis; make-up training; Mandarin speaking; selling skills; supervisory skills; customer service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

Intensive training

A new beauty consultant receives 200 training hours before she becomes a qualified beauty consultant ("BC"). We also provide continuous training to existing BCs to update their skills and knowledge in all the above categories. Good training is vital for cosmetics retail because it improves sales and service, the corporate image, the professionalism of our staff, and the sense of belonging of our employees.

Knowledge of the market and customers

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



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

Building loyalty

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

Gaining recognition

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

4

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

One-stop cosmetics specialty store in Mainland China

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

Product selections tailored to our Chinese customers

- Sa Sa has more than 32 years of experience in cosmetics retailing in Asia and today 95% of its customers are Chinese, of which over 50% are from Mainland China.
- Sa Sa utilises its understanding of the skincare and beauty needs of Asians, in particular, Chinese customers, in the product selection for its stores in Mainland China.
- Sa Sa maintains a broad range of products covering from high- and mid-end to mass beauty products, allowing customers to mix and match the products they are fond of.

Focus on professional and quality international brands

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

Value-added services offered by 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

Diversified distribution network

- Sa Sa's products are currently sold under different distribution formats: directly-owned multi-brand Sasa stores, department stores concession counters under exclusive brands, and e-shop.

A brand new shopping experience

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

Capital Resources and Liquidity

As of 31 March 2010, the Group's total equity funds were HK$1,195.9 million including reserves of HK$1,056.7 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$646.3 million. The Group's working capital was HK$946.3 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 of 31 March 2010 were HK$1,195.9 million, which represented a 6.5% increase over the total funds employed of HK$1,122.8 million as of 31 March 2009.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as of 31 March 2010 and 31 March 2009.

Treasury Policies

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

Charge on Group Asset

As of 31 March 2010, no Group asset was under charge to a financial institution.

Contingent Liabilities

The Group had no significant contingent liability as of 31 March 2010.

Capital Commitments

As of 31 March 2010, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$133.7 million.


CYBER COLORS
White Seven
Floral Newplex
&
Moringa Oil
CYBER COLORS
GEMSTONE
aqua-base pudding foundation
SPF 20 PA++
CYBER COLORS

Biographical Details of Directors and Senior Management

* A Member of the Audit Committee
Δ A Member of the Compensation Committee
§ A Member of the Executive Committee
\# A Member of the Nomination Committee
^ A Member of the Risk Management Committee

Executive Directors

Dr KWOK Siu Ming Simon § ^, *JP*

Chairman and Chief Executive Officer

Aged 57. Dr Kwok together with his wife, Dr Kwok Law Kwai Chun Eleanor, has run Sa Sa's operations since the early days and successfully listed the Company on the Stock Exchange of Hong Kong in June 1997. Over the past 32 years, Dr Kwok has played a leading role in transforming the Company into a leading market player with a regional network of operations in Asia. Dr Kwok is currently a Committee Member of the Chinese People's Political Consultative Conference of Hubei Province, the Honorary Life President and a Councillor of the Cosmetic & Perfumery Association of Hong Kong, the Honorary President of Federation of Beauty Industry (HK), Vice-chairman of the Quality Tourism Services Association Governing Council, the Honorary Founding President of the Professional Validation Centre of Hong Kong Business Sector, and the Honorary Life President of the Hong Kong Brands Protection Alliance. He is also a selected member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong, a voting member of The University of Hong Kong Foundation, an appointed member of the University Court of Hong Kong University of Science and Technology, and a board member and a founding life member of the Hong Kong Polytechnic University Development Foundation. Dr Kwok was the winner of the "Owner-Operator Award" at the DHL/SCMP Hong Kong Business Awards 2007 and a winner in the Retail Category in the "Ernst & Young Entrepreneur of the Year Awards China 2006". Dr Kwok received a *honoris causa* doctorate degree in Business Administration from the Lingnan University in 2008.

Dr Kwok is an active participant in the work of charities. He is a member of the Board of Directors of the Community Chest (2009-11), an Executive Board Member of the Hong Kong AIDS Foundation (2006-11), and an Honorary Advisor (since 2006) and the Co-chairman for the Organising Committee (2006 & 2009) of The Hong Kong Committee for the China AIDS Initiative.

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

Dr KWOK LAW Kwai Chun Eleanor Δ # § ^, *BBS*

Vice-Chairman

Aged 56. A founder of the Group and a member of the Executive Committee, Compensation Committee, Nomination Committee and Risk Management Committee. Dr Kwok has more than 34 years' experience in the sales and marketing of beauty products. With extensive professional knowledge and many years of experience in cosmetics retailing, she pioneered the unique operational concept of open-shelf display of beauty products, making shopping a more enjoyable experience. Dr Kwok plays a leading role in the marketing, operations, human resources and staff training functions of the Group. She is currently the Honorary President of the Cosmetic & Perfumery Association of Hong Kong, an Executive Committee Member of the Guangdong Women's Federation, the Honorary President of The Hong Kong Federation of Women ("HKFW") and a member of The HKFW Entrepreneurs Committee. Dr Kwok won the "Outstanding Women Entrepreneurs Award" of the Hong Kong Women Professionals & Entrepreneurs Association in 2008, and received a "World Outstanding Chinese" award from the World Outstanding Chinese Association and World Chinese Business Investment Foundation. She was conferred an Honorary Doctorate of Management by Morrison University, USA, and an Honorary Fellowship by the Professional Validation Centre of Hong Kong Business Sector.

Dr Kwok is actively involved in charity activities. She is a director in the Board of Directors for Po Leung Kuk (2006-10), the Honorary Vice-President of the Hong Kong Girl Guides Association (2006-11), and a patron of Caritas Fund Raising Campaign (2007-10).

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

Biographical Details of Directors and Senior Management

Mr LOOK Guy § ^

Chief Financial Officer and Executive Director

Aged 53. Mr Look is the CFO, Executive Director, and a director of certain subsidiaries of the Group. Mr Look has over 28 years of experience in local and overseas financial and general management. Prior to joining Sa Sa in March 2002, he was the CFO and an Executive Director of Tom.com Limited (renamed TOM Group Ltd.). Mr Look was appointed as an Independent Non-Executive Director of Café de Coral Holdings Limited in April 2009. He holds a Bachelor's degree in Commerce from the University of Birmingham, England. Mr Look is an associate member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He is also a member of the Professional Accountants in Business Leadership Panel of HKICPA. Mr Look is the Vice Chairman of the Hong Kong Retail Management Association. He is a member of the Statistics Advisory Board of the Government of the Hong Kong Special Administrative Region and a member of the Departmental Advisory Committee for the Department of Management Sciences of the City University of Hong Kong.

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

Non-Executive Directors

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

Independent Non-Executive Director

Aged 56. Appointed as an Independent Non-executive Director and the 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 and the Founding Dean of the Business School of the Hong Kong University of Science and Technology. He obtained a PhD in Finance, as well as an MBA and MA in Economics from the University of California at Berkeley. He is the Chairman of the Social Welfare Advisory Committee, and a member of the Exchange Fund Advisory Committee, the Standing Committee on Judicial Salaries and Conditions of Service, the Public Service Commission and the Process Review Panel for the Securities and Futures Commission. Professor Chan is also a Fellow and a Council Member of the Hong Kong Management Association. Details of his interest in shares and underlying shares in the Company are set out in "Report of the Directors".

Ms KI Man Fung Leonie * Δ, *SBS, JP*

Independent Non-Executive Director

Aged 63. Appointed as an Independent Non-executive Director of the Group in December 2006. Ms Ki is the Managing Director of New World China Enterprises Projects Limited, a Non-Executive Director of New World Development Company Limited and an Independent Non-Executive Director of Clear Media Limited. Ms Ki has more than 33 years' experience in integrated communication and marketing services. She was the founder, partner and Chairman/Chief Executive Officer of Grey Hong Kong Advertising Limited and Grey China Advertising Limited. Ms Ki is committed to the community and public services. She was the first Chief Executive of The Better Hong Kong Foundation. She is currently a council member of UNICEF, the Honorary Secretary of Wu Zhi Qiao (Bridge to China) Charitable Foundation, a life member of the Children's Cancer Foundation, a court and council member of Lingnan University, 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 86. 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 shares and underlying shares in the Company are set out in "Report of the Directors".

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

Independent Non-Executive Director

Aged 61. Appointed as an Independent Non-executive Director of the Group in January 2000 and is the Chairman of the Compensation Committee. Dr Leung has over 27 years' experience in management consultancy and is an expert in organisation and human resources development. Dr Leung holds a PhD in Business Administration from the University of Illinois. He has been appointed to significant positions in many public organisations and committees by the Hong Kong Special Administrative Region Government and was formerly Chief Executive — Asia for Hay Group, one of the world's leading management consulting firms.

Ms TAM Wai Chu Maria * Δ #, *GBS, JP*

Independent Non-Executive Director

Aged 64. Appointed as an Independent Non-executive Director of the Group in June 2004 and is 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 deputy to the National People's Congress of The People's Republic of China, a member of the Hong Kong Basic Law Committee, as well as a member of the Operations Review Committee and the Panel of the Witness Protection Review Board of the Independent Commission Against Corruption. She is also a member of various community services organisations. Details of her interest in shares and underlying shares in the Company are set out in "Report of the Directors".

Mr TAN Wee Seng

Non-Executive Director

Aged 54. Appointed as a Non-executive Director of the Group in March 2010. Mr Tan is a professional in value and business management consultancy. He is an independent director of ReneSola Ltd whose shares are listed on the New York Stock Exchange and on the Alternative Investment Market (AIM) of the London Stock Exchange, an independent director of 7 Days Group Holdings Limited whose shares are listed on the New York Stock Exchange, a Non-executive Director of Xtep International Holdings Limited whose shares are listed on the Main Board of Stock Exchange, a board member of Beijing City International School and a director of Landgent Group Company Limited. Mr Tan has over 30 years of financial, operation and business management experience and has also held various senior management positions in a number of multi-national corporations. From 2003 to 2008, he was an executive director, chief financial officer and company secretary of Li Ning Company Limited, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange. From 1999 to 2002, he was the senior vice president of Reuters for the China, Mongolia and North Korea regions, and the chief representative of Reuters in China. Mr Tan is a fellow member of the Chartered Institute of Management Accountants, United Kingdom, and a fellow member of the Hong Kong Institute of Directors.

Senior Management

Mr LAW Kin Ming Peter

Senior Vice President, Category Management & Product Development

Aged 54. Joined the Group in January 1996, Mr Law was appointed Senior Vice President, Category Management and Product Development in January 2008. He has more than 28 years' experience in the field of sales and marketing, 19 of which were in senior management positions. He is also a director of a subsidiary of the Group. Mr Law oversees the Group's category management and product development function. He is also responsible for the Group's acquisition of exclusive distribution rights of international brands and the development of the Group's own-brand products. He holds a Bachelor's degree in Arts majoring in Communications Studies from the University of Windsor, Ontario, Canada and pursued a Bachelor's degree in Commerce later. Mr Law is the Honorary Advisor of The Cosmetic & Perfumery Association of Hong Kong. Mr Law is a brother of Dr Kwok Law Kwai Chun Eleanor and a brother-in-law of Dr Kwok Siu Ming Simon.

Ms LOI Wei Sin Corina

Senior Vice President / Country Head of Malaysia

Aged 50. Joined Sa Sa in October 1997, Ms Loi was appointed as Vice President/General Manager of Malaysia in January 2001 and promoted to Senior Vice President and Country Head of Malaysia in July 2008. She is also a director of a subsidiary of the Group. Ms Loi was a crucial member of the start-up team for the Malaysian operation. Ms Loi has over 27 years of marketing and retail experience ranging from health food products to high fashion. Prior to joining Sa Sa, she was with Dickson Trading (Malaysia).

Ms LU Szu-Jen

Senior Vice President, Information Technology

Aged 53. Joined Sa Sa as Senior Vice President of Information Technology in December 2004. She held senior management positions with various multinational information technology corporations. Before joining Sa Sa, she was the chief technology officer of Softbank Investment International (Strategic) Limited, a venture capital firm which focused on internet technology investment projects. Ms Lu holds a Master of Science in Computer Science from The Johns Hopkins University, USA.

Composition of the Board and various Board Committees

* Executive directors
\# Non-executive directors
△ Independent non-executive directors

Corporate governance extends beyond mere compliance with regulatory requirements at Sa Sa

Corporate governance practices

The Directors are committed to maintaining the highest standard of corporate governance which they believe will create long term value for shareholders. Throughout the year ended 31 March 2010, the Company has complied with all the Code Provisions set out in the CG Code except for one deviation explained below. This report outlines our system of governance and provides a summary of how we have applied the main principles of the CG Code and beyond.

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	Code Provision
A.1.1	***Regular board meeting*** *The board should meet at least four times a year at approximately quarterly intervals.*
✔✔✔	Five Board meetings were held during the year ended 31 March 2010. Our Directors actively participate at each Board meeting to provide oversight and strategic direction to the Group on operational, governance, internal control and other matters. Issues are debated openly and each Director is free to question or challenge the opinions of the other Directors including the Chairman who is a controlling Shareholder. Members of the management team attend some of the Board meetings by invitation to make presentations and engage in discussions with the Directors. In particular, the Group has developed an annual budgeting process where the short and long term business and financial plans prepared by the management team are constructively challenged and scrutinized by Board members before they are formally approved at Board meetings.
A.1.2	***Agenda item*** *All directors should be given the opportunity to include matters in the agenda for regular board meetings.*
✔✔✔	Agendas for Board and Board Committee meetings are sent to all Directors reasonably in advance and they are given the opportunity to include relevant matters in each agenda for consideration at Board and Board Committee meetings.
A.1.3	***Notice of Board meetings*** *Notice of at least 14 days should be given for regular board meetings and reasonable notice should be given for all other meetings.*
✔✔✔	Our timetable for regular Board meetings are usually scheduled one year in advance to enable the Directors to manage their time commitment towards the Company. Formal notices of meetings are always sent at least 14 days in advance to all Directors.

A. Director (continued)

A.1. The Board (continued)

Code	Code Provision
A.1.4	***Access to company secretary*** *All directors should have access to the company secretary to ensure that board procedures, and all applicable rules and procedures, are followed.*
✔✔✔	Our Directors have access to the advice and services of the company secretary at all times.
A.1.5	***Keeping of minutes*** *Minutes of board meetings and committee meetings should be kept and be available for inspection by the directors.*
✔✔✔	Minutes of our Board meetings and Committee meetings are kept by the company secretary and are available for inspection by the Directors.
A.1.6	***Minutes to record sufficient detail and be sent to all directors*** *Minutes should record sufficient detail, including concerns raised and dissenting views, and be sent to all directors for comment and records.*
✔✔✔	Minutes of our Board and Board Committee meetings record in sufficient detail the matters considered and the decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of the minutes of the meetings are then sent to all Directors for their comment and records, in both cases within a reasonable time after each meeting.
A.1.7	***Professional advice*** *An agreed upon procedure should be in place to enable directors to seek professional advice at the Company's expenses in appropriate circumstances.*
✔✔✔	The Company has in place a set of guidelines for Directors to obtain professional advice at the Company's expenses in appropriate circumstances. The Board has also resolved to provide separate independent professional advice to Directors to assist them to discharge their duties towards the Company.
A.1.8	***Conflict of interest*** *If substantial shareholder or director has a conflict of interest in a material matter, the matter should be dealt with by way of a board meeting attended to by the independent non-executive directors with no material interest.*
✔✔✔	Directors are required to declare their interest in the matters to be considered at each Board and Board Committee meeting. If a Director or any of his/her associates has a material interest in the matter to be considered, the Director will not be counted in the quorum or vote at the meeting.

A. Director (continued)

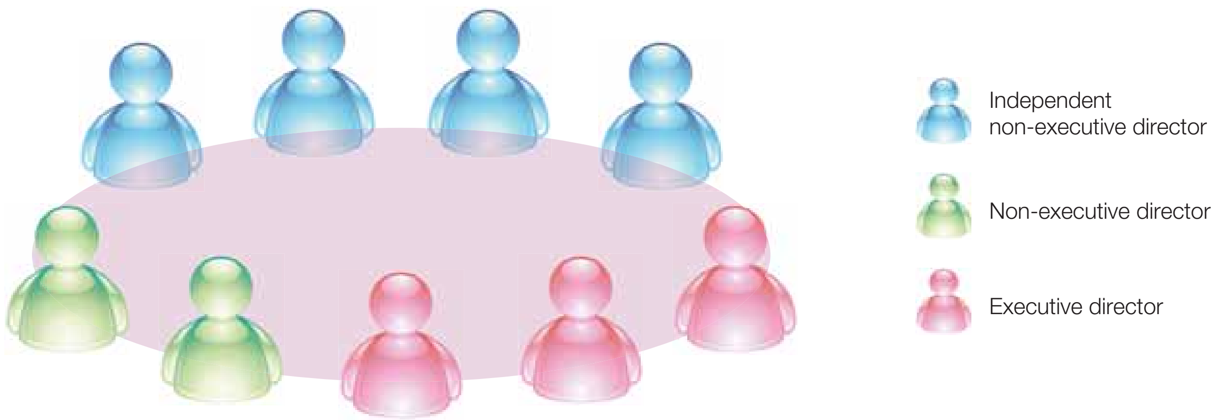
A.2. Chairman and CEO

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	Code Provision
A.2.1	***Chairman and CEO*** *The roles of chairman and CEO should be separate and their divisions of responsibility clearly established and set out in writing.*
Deviation	The Company has deviated from the code provision in this respect in that Dr KWOK Siu Ming Simon is both the chairman and CEO of the Company. The respective responsibilities of the chairman and the CEO, however, are clearly set out in writing and approved by the Board. Given the Group's current stage of development, the Board considers that vesting the roles of chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes the effectiveness of its operation. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.
A.2.2	***Directors should be properly briefed*** *The Chairman should ensure that directors are properly briefed on issues arising at board meetings.*
✔✔✔	The Company has in place written terms of reference for the Chairman pursuant to which he is required to take the lead in encouraging all Directors to make full and active contributions to the Board's affairs and to ensure that the Board acts in the best interests of the Company. The Chairman, in the discharge of his responsibilities, always ensures that the Directors are properly briefed on issues arising at Board meetings.
A.2.3	***Directors to receive adequate information*** *The Chairman should ensure that Directors receive adequate information, which must be complete, reliable and timely.*
✔✔✔	In practice, our Directors always receive very comprehensive information through the company secretary, which are adequate, complete, reliable and timely, to enable them to monitor our business operations and provide guidance to the executive management team.

Our board composition



Four of our nine board members are INEDs. The Executive and NEDs together have the range of skills and experience to enable them to effectively govern our business.

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	Code Provision
A.3.1	***INEDs to be identified*** *The independent non-executive directors should be identified in all corporate communications that disclose the names of the directors.*
✔✔✔	All our INEDs, Professor CHAN Yuk Shee, Dr LEUNG Kwok Fai Thomas, Ms TAM Wai Chu Maria and Ms KI Man Fung Leonie, are identified in all our corporate communications.

We appointed one additional non-executive director, namely Mr TAN Wee Seng, during the reporting period.

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	Code Provision
A.4.1	***NEDs to be appointed for specific terms*** *Non-executive directors should be appointed for a specific term, subject to re-election.*
✔✔✔	All our non-executive Directors are appointed for a specific term, subject to re-election at shareholders' meeting. One additional non-executive Director, Mr TAN Wee Seng, was appointed during the reporting period. He was appointed for a specific term ending on the date of our next AGM, at which he will offer himself for re-election by the Shareholders. The terms of appointment of our non-executive Directors are set out in the Report of the Directors, at page 84.
A.4.2	***Retirement every three years*** *All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment; every director should be subject to retirement by rotation at least once every 3 years.*
✔✔✔	Our Articles of Association are in line with the Code Provision in that they require all Directors appointed to fill a casual vacancy to hold office only until the first general meeting after their appointment and be subject to re-election at such meeting. Our Articles also require one-third of our Directors to retire from office by rotation at each AGM, pursuant to which Dr KWOK Siu Ming Simon, Dr KWOK Law Kwai Chun Eleanor, and Mr LOOK Guy will retire at our next AGM and, being eligible, all of them will offer themselves for re-election by the Shareholders.

Our core values in governance –
Accountability
Fairness
Responsibility
Transparency

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	Code Provision
A.5.1	***Induction of directors*** *Every newly appointed director should receive a comprehensive, formal induction and subsequent briefing and development as is necessary.*
✔✔✔	The Company has a policy for the induction of Directors pursuant to which every newly appointed Director receives a comprehensive induction handbook as well as meets with members of the management team in order to familiarize themselves with the business of the Group. Subsequent briefings are provided to the Directors as and when necessary.
A.5.2	***Functions of NEDs*** *NEDs should participate in board meetings to bring an independent viewpoint, take the lead where potential conflicts arise, serve on the audit, remuneration and nomination committees if invited and scrutinize the Company's performance.*
✔✔✔	Our NEDs exercise their independent judgment and advise the Group on a wide range of strategic issues and scrutinize and monitor the Group's performance closely. They have the knowledge and understanding of the business to contribute effectively, and are kept well informed and abreast of significant new developments in the business. Our Audit Committee comprises solely of INEDs while the majority of the members on the Compensation and Nomination Committees are INEDs.
A.5.3	***Directors to give sufficient time and attention*** *Directors should ensure that they give sufficient time to the affairs of the Company.*
✔✔✔	Individual attendance records of our Directors at Board and Board Committees Meetings, demonstrating satisfactory attendance, are set out below. Please also refer to the chart below for the duration of our Board meetings and the volume of papers reviewed at such meetings.

A.5. Responsibilities of Directors (continued)

Name of Directors	Board meeting	Executive Committee meeting	Audit Committee meeting	Compensation Committee meeting	Nomination Committee meeting	Risk Management Committee meeting
Executive Directors						
Dr KWOK Siu Ming	5	11	5 (note 2)	1 (note 3)	1 (note 4)	1
Dr KWOK LAW Kwai Chun Eleanor	5	8	5 (note 2)	1	1	1
Mr LOOK Guy	5	11	5 (note 2)	1 (note 3)	n/a	1
NEDs						
Mrs LEE LOOK Ngan Kwan Christina	3	n/a	n/a	n/a	n/a	n/a
Mr TAN Wee Seng	1 (note 1)	n/a	n/a	n/a	n/a	n/a
INEDs						
Professor CHAN Yuk Shee	5	n/a	5	n/a	n/a	n/a
Dr LEUNG Kwok Fai Thomas	5	n/a	5	1	1	n/a
Ms TAM Wai Chu Maria	5	n/a	5	1	1	n/a
Ms KI Man Fung Leonie	5	n/a	5	1	n/a	n/a
INEDs						
Total Meetings Held	**5**	**11**	**5**	**1**	**1**	**1 (note 5)**

Notes:

(1) Mr Tan was appointed as a NED on 11 March 2010 and only one board meeting was held subsequent to his appointment.

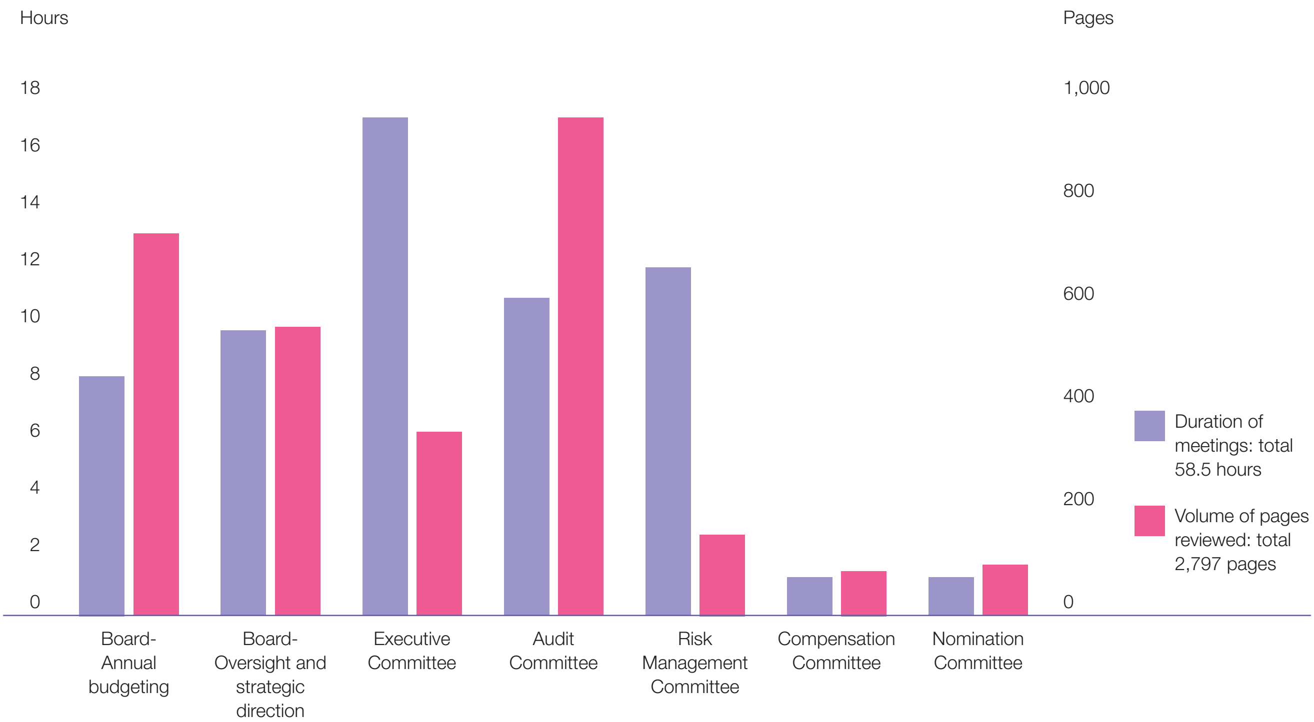
(2) Dr KWOK Siu Ming Simon, Dr KWOK LAW Kwai Chun Eleanor and Mr LOOK Guy attended the Audit Committee meetings as invitees.

(3) Dr KWOK Siu Ming Simon and Mr LOOK Guy attended the Compensation Committee meeting as invitees.

(4) Dr KWOK Siu Ming Simon attended the Nomination Committee meeting as invitees.

(5) Four workshops were held in addition to the meeting.

Duration of board meetings and volume of papers reviewed



A.5. Responsibilities of Directors (continued)

Code	Code Provision
A.5.4	***Compliance with Model Code*** *Directors must comply with the Model Code.*
✔✔✔	The Company adopts a code of conduct regarding securities transactions on terms no less exacting than the required standard set out in the Model Code for both Directors and certain relevant employees who, because of their office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its shares. Having made specific enquiry of all Directors and the relevant employees, all of them have confirmed that they have complied with the required standard set out in the Company's code of conduct throughout the reporting period.

A.6. Supply of and access to information

Principle

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

Code	Code Provision
A.6.1	***Agenda for Board meetings*** *Agenda and accompanying board papers should be sent to directors at least three days before the date of each regular board meeting or board committee meeting.*
✔✔✔	Our agendas for Board Meetings are usually sent out together with our notice of meeting and are given to Directors well in advance of the meetings. Board papers are always sent to Directors at least three days in advance of the meetings.
A.6.2	***Information from management*** *Management should supply the board and its committees with adequate information in timely manner to enable it to make informed decisions. Directors should make enquires where necessary, and each director should have separate and independent access to the Company's senior management.*
✔✔✔	We have regular presentations by the management team at Board meetings with opportunities for discussion. Each Director also has separate and independent access to the management and is able to make enquires, request for information or seek clarification where necessary.
A.6.3	***Board papers*** *All directors are entitled to have access to board papers and related materials.*
✔✔✔	Board papers and minutes are made available for inspection by the Directors. Special requests are attended to by the company secretary promptly. With a view to becoming a more environmental friendly Company, we have started to distribute board papers in disc form from June 2010 onwards.

The remuneration package of our executive directors comprises principally of basic salary and a discretionary bonus tied to the performance of the Company. In the case of the CFO, the remuneration package also includes share options, some of which are time based, some of which are performance based.

B. Remuneration of Directors and senior management

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

Principle

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

Code	Code Provision
B.1.1	***Remuneration Committee*** *Issuers should establish a remuneration committee, majority of whom shall be dependent non-executive directors.*
B.1.2	***Consultation*** *The remuneration committee should consult the chairman and/or CEO about the remuneration of executive directors and have access to professional advice if considered necessary.*
B.1.3	***Terms of reference*** *Specific duties of the remuneration committee should include making recommendations on remuneration policy and structure, determining, reviewing and approving remuneration packages and other compensation arrangements.*
B.1.4	***Publication of terms of reference*** *Remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.*

B. Remuneration of Directors and senior management (continued)

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

Code	Code Provision
B.1.5	***Sufficient resources*** *Remuneration committee should be provided with sufficient resources to discharge its duties.*
✔✔✔	**Compensation Committee** Our Compensation Committee was first formed in December 1999 and formally established in March 2000. The Committee has four members – Dr LEUNG Kwok Fai Thomas (who presides as the chairman), Dr KWOK LAW Kwai Chun Eleanor, Ms TAM Wai Chu Maria and Ms KI Man Fung Leonie – the majority of whom are INEDs. The duties of the Committee, including the ones set out in Code Provision B.1.3, are clearly set out in the Committee's terms of reference which are available at the Company's website and on request. The Committee held one meeting during the year at which a comprehensive review of the remuneration of the executive and non-executive Directors was conducted. With the assistance of the Company's human resources department, the Directors reviewed the remuneration structure and packages of the Directors of other comparable listed companies and concluded that the remuneration of our executive and non-executive Directors should remain unchanged for the year. The recommendation of the Compensation Committee was subsequently endorsed and approved by the Board. **Our Emolument policy and long-term incentive plan** Generally, the base compensation forms a significant part of the remuneration package. The Group pays a competitive base compensation with reference to the prevailing market conditions and the respective duties and responsibilities of the relevant employee. Incentives are given in the form of various kinds of bonus and through the Company's share option scheme adopted on 29 August 2002. Details of the share option scheme are set out on page 79 of this Annual Report. Fringe benefits like provident fund, medical insurance, personal accident insurance and business travel insurance are also offered to the Group's employees. With reference to the Directors' expertise and experience, duties and responsibilities, industry standards, prevailing market conditions and the Group's performance, Directors' emolument is recommended by the Compensation Committee and approved and determined by the Board. The emolument of our Executive Directors consists mainly of base compensation, discretionary bonus and share options, particulars of which are set out in note 9 to the financial statements on page 115 of 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	Code Provision
C.1.1	***Management information*** *Management should provide information to the board to enable the board to make informed assessment of the financial and other information put before the board for approval.*
C.1.2	***Responsibility for accounts*** *Directors should acknowledge their responsibility for preparing the accounts. Material uncertainties that may cast doubt on the Company's ability to continue as a going concern should be clearly set out and discussed in the corporate governance report which should contain sufficient information to enable investors to understand the severity and significance of the matters at hand.*
C.1.3	***Board's responsibility*** *The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, price sensitive announcements and other financial disclosures and reports.*
✔✔✔	Directors are provided with financial information and relevant reviews and updates on the Group's performance on a quarterly basis. Where necessary, explanation and additional information are provided in a timely manner to enable the Board to make informed assessment. The Directors acknowledge their responsibility for the preparation of the financial statements which give a true and fair view of the Group's state of affairs and results and cashflow for the year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. With the assistance of our finance and accounts department which is under the supervision of the CFO, the Directors ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 31 March 2010, the Directors have: (i) approved the adoption of all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants; (ii) selected and applied consistently appropriate accounting policies; (iii) made judgments and estimates that were prudent and reasonable; and (iv) prepared the financial statements on the basis that the Company would continue as a going concern. The Independent Auditor's Report on page 90 of this Annual Report has set out the reporting responsibilities of PwC, the auditors of the Company. The Company announces its annual results within three months after the end of the financial year and its interim results within two months after the end of the half-yearly period. To enhance transparency and with a view to updating the market of its performance on a more regular basis, the Company publishes unaudited quarterly operational updates following the end of the 1st and 3rd quarters.

C. Accountability and audit (continued)

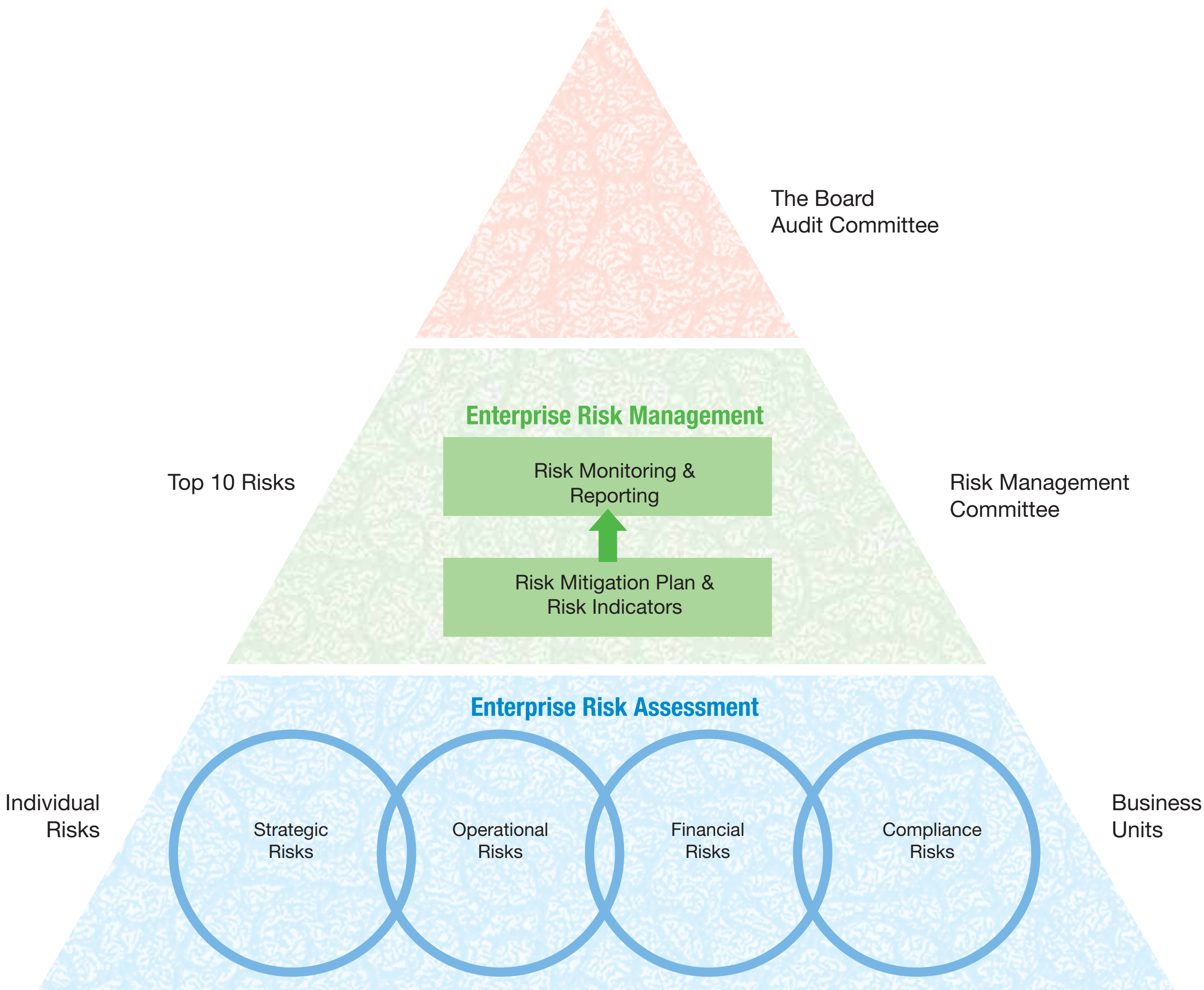
C.2. Internal controls

Principle

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

Code	Code Provision
C.2.1	***Annual review*** *Directors should at least annually review the effectiveness of the system of internal control and state so in the corporate governance report.*
C.2.2	***Review should consider adequacy of resources*** *Board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.*
✔✔✔	**Internal Controls** The Board is responsible for developing and maintaining the system of internal controls of the Group to protect Shareholders' interest and to safeguard the Group's assets by setting appropriate policies and reviewing the effectiveness of major control procedures for financial, operational, compliance and risk management areas. The internal control system is implemented by the management upon the authorization of the Board, designed to manage rather than eliminate the risk of failure in operational systems and achievement of the Group's objectives and can only provide reasonable, and not absolute assurance of the following: – effectiveness and efficiency of operations – reliability of financial reporting – compliance with applicable laws and regulations – effectiveness of risk management functions The Board also acknowledges the importance of the Group's internal control, financial control and risk management functions and monitors its effectiveness from time to time. **Risk Assessment and Management** During the year ended 31 March 2010, the Group has developed a sustainable and integrated ERM program. This is part of the continuous effort of the Group to improve on the risk management process, to enhance the effectiveness of the control environment and to comply with Appendix 14 of the Listing Rules. The Risk Management Committee was formally established and approved by the Board in November 2009. Its purpose is to oversee and monitor the implementation of the ERM program which is underpinned by line management taking direct risk management responsibilities as risk owners. The ERM implementation effort is designed to be a pilot program for the Group in respect of the business and operations in Hong Kong. The ERM consists of three major components comprising risk governance, risk infrastructure and oversight and assignment of risk ownership.

C.2. Internal controls (continued)



The ERM Framework

C. Accountability and audit (continued)

C.2. Internal controls (continued)

Code	Code Provision
	(continued) The work in respect of the ERM pilot program done during the year included the following: An overall strategy and project plan for the ERM implementation has been established. Orientation and training sessions have been conducted to obtain full support and feedback from management. The Group adopted the approach of focusing on the risks associated with the Group's business objectives. The framework recommended by the Committee of Sponsoring Organizations of the Treadway Commission was being adopted where risks were being categorized into Strategic, Operational, Financial and Compliance. Interviews, workshops and questionnaires have been conducted to collect input from management to compile the risk inventory. The Group developed a set of well-defined risk assessment criteria that is tailored to the Group's risk appetite and applied consistently throughout the risk ranking process. The ranked risks as well as the assignment of risk owners were discussed, agreed and confirmed amongst the Group's management team. Based on the risk assessment results, the Group developed an on-going risk mitigation plan for the top 10 selected priority risks. In order to achieve sustainability to the ERM process, our Group established an ongoing risk monitoring mechanism. This included the development of risk indicators for each of the selected priority risk to facilitate monitoring of any changes in risk levels and a "red flag" system to indicate situations where risk level has exceeded a certain pre-set level. In addition, the escalation channel for risk reporting was established by setting up reporting lines, frequency of reporting, items to be reported (such as progress and results of risk mitigation plans), and developing reporting template. Our Executive Directors and management have been and will continue to be heavily involved in the ERM implementation process. In addition, the results will be presented to the Board and the Audit Committee to enhance the accountability and quality of the risk management process of the Group. **Control Activities and Processes** 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 reports directly to the Audit Committee quarterly and has direct access to the chairman of the Audit Committee. The Internal Audit and Management Services Department ("IAMS Department") has unrestricted access to any information relating to the Group's risk management, control and governance processes. Starting from 1 April 2009, the Group's IAMS Department has fully taken up the internal audit role and started assisting the Board in reviewing the effectiveness of the Group's internal control system based on the approved risk-based annual audit plan, and also in performing special reviews on areas identified by management or the Audit Committee from time to time. The annual audit plan continues using the risk-based approach to assess the materiality and the potential risks existing in the internal control systems of various businesses and processes of the Group, and determines the priorities of the internal audit activities. The Audit Committee reviews and approves the annual audit plan and all major changes to the plan.

C. Accountability and audit (continued)

C.2. Internal controls (continued)

Code	Code Provision
	(continued) The IAMS Department is responsible for carrying out internal control reviews based on the approved annual audit plan. Prior to the commencement of each audit assignment, audit planning meetings would be arranged with process owners to communicate the scope. Audit work programs would be 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 IAMS Department inspects, monitors and evaluates the design and operating effectiveness of the key controls associated with the processes under review. All findings and recommendations on internal control deficiencies for each audit assignment would be communicated with management. The IAMS Department worked with management to establish remedial plans to correct internal control deficiencies within a reasonable time period. Post-audit reviews would also be scheduled and performed to ensure those agreed action plans of previously identified internal control deficiencies have been executed as intended. The Board has through the Audit Committee, conducted reviews of the effectiveness of the Group's internal control system for the year ended 31 March 2010, and considered the Group's internal control system effective and adequate. The IAMS Department has performed internal control reviews and post-audit reviews on major aspects of the Group's operations in Hong Kong, Singapore and Malaysia including retail, e-business, category management and product development, human resources, warehouse and marketing. Key audit findings, recommendations and management responses of each review were reported to and reviewed by the Audit Committee every quarter. There were no significant areas of concern that might affect Shareholders. In respect of the year ended 31 March 2010, the Board, through the Audit Committee, reviewed the adequacy of resources, qualifications, experience and training programmes and budgets regarding staff of the Group's accounting and financial reporting function and considered that the staffing is adequate and competent in their roles and responsibilities in internal control. **Future Development and Work Plan** Considering the rapid expansion of China's operation, the Group has planned to commit permanent local internal audit resources in both Shanghai and Beijing offices. Based on the approved annual audit plan for the fiscal year 2010/11, the IAMS Department will be conducting internal control reviews and post-audit reviews on major aspects of the Group's operations in Hong Kong, China, Taiwan, Singapore and Malaysia including retail, category management and product development, warehouse, human resources, e-business and administration. Subsequent to the implementation of the Group's ERM program, the IAMS Department will perform ERM audit to assure the program is efficiently and effectively executed as intended with results reported to the Risk Management Committee.

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	Code Provision
C.3.1	***Minutes*** *Minutes of audit committee meetings should be kept and sent to all members for comment and records within a reasonable time.*
✔✔✔	Minutes of Audit Committee meetings are kept and sent to all Committee members within a reasonable time by the company secretary.
C.3.2	***Former partner of auditors should not be member*** *A former partner of the Company's existing auditing firm should not act as a member of the audit committee.*
✔✔✔	None of our Audit Committee members is a former partner of our existing auditing firm, PwC.
C.3.3	***Terms of reference*** *Duties of the Audit Committee should include the review and monitor of the relationship with external auditors, review of financial information and oversight of the financial reporting system and internal control procedures.*
✔✔✔	The terms of reference of our Audit Committee encompass all the duties required by Code Provision C.3.3.
C.3.4	***Availability of Terms of Reference*** *Audit committee should make available its terms of reference.*
✔✔✔	Terms of reference of our Audit Committee are available at the Company's website and upon request.
C.3.5	***Disagreement with Board*** *If the board disagrees with the audit committee on matters concerning the external auditors, the Company should include a statement in the corporate governance report.*
✔✔✔	There was no disagreement between the Board and the Audit Committee throughout the year.

C. Accountability and audit (continued)

C.3. Audit committee (continued)

Code	Code Provision
C.3.6	***Sufficient resources*** *Sufficient resources should be provided to the Audit Committee for it to discharge its duties.*
✔✔✔	**Audit Committee** The Company established an Audit Committee with written terms of reference on 13 October 1999. The current 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. At least one of them, namely Professor CHAN Yuk Shee, possesses the appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Audit Committee is primarily responsible for 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 has met with the external auditors and discussed the general scope of the audit works and reviewed the audit reports and the interim and annual accounts of the Group. During the year, the Audit Committee has 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. Five Audit Committee meetings were held in the year. The Chairman and CEO, CFO, members of the management team and the external auditors were invited to some of the meetings to provide information, clarifications or explanations. The attendance record of individual Committee members at the meetings are set out on page 55. The following is a summary of the works undertaken by the Audit Committee during the year: (i) review of the audit and communication plans, nature and scope of the audit and reporting obligations of the external auditors; (ii) review of the terms of engagement of the external auditors, their independence, the effectiveness of the audit process and the audit and non-audit services undertaken by the external auditors; (iii) review of the financial information of the Group including the annual and interim financial statements, unaudited quarterly operational updates and related documents before submission to the Board, with particular focus on any changes in accounting policies and practices, major judgmental areas, significant adjustments, the going concern assumption, and compliance with accounting standards and regulatory requirements;

C. Accountability and audit (continued)

C.3. Audit committee (continued)

Code	Code Provision
	(continued) (iv) review of the Group's foreign currency and treasury practices; (v) review of the progress and updates of the ERM process; (vi) review of the internal audit function, financial and internal controls, the risk management system including the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, their training programmes and budget, and the effectiveness of the internal audit function; (vii) review of the Group's financial and accounting policies and practices; and (viii) meet with the external auditors without the presence of any of the Executive Directors. All issues raised by the Audit Committee are addressed and/or dealt with by the relevant member of the management team and the work, findings and recommendations of the Audit Committee are reported to the Board regularly. During the year ended 31 March 2010, there were no issues of significant importance requiring disclosure in the annual report under the Listing Rules. The fees paid to the Company's external auditors for the year ended 31 March 2010 amounted to approximately HK$2,913,000, comprising audit fees of HK$2,046,000 and non-audit fees of HK$867,000. The non-audit services consist mainly of advisory services on tax and transfer pricing, and reporting on the gross sales of retail shops.

There is clear division of responsibilities between the Board and management. Members of our management team are frequently invited to attend Board meetings to make presentations and engage in discussions with the Board. Views of the management team are constructively challenged and scrutinized by our Board members.

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	Code Provision
D.1.1	***Clear directions*** *Board must give clear directions as to powers of management when delegating, particularly on circumstances when management should report back and on matters requiring prior approval.*
D.1.2	***Formalised functions*** *Formalised functions reserved to the board and functions delegated to management and review periodically.*
✔✔✔	The Company has established clear terms of reference for the Board and the management which are reviewed periodically to ensure that they remain appropriate. Additionally, the Company has established an Executive Committee to provide leadership to the management team in the day-to-day conduct of the Group's affairs. **The Board** The primary responsibility of the Board is to lead and control the Company and its business to ensure that the management's actions are in the best interest of the Company. Pursuant to its terms of reference, the duties and types of decisions taken by the Board include:– (i) set the objectives of the Board; (ii) establish the strategic direction of the Company; (iii) set the objectives of the management;

D. Delegation by the Board (continued)

D.1. Management functions (continued)

Code	Code Provision
	(continued) (iv) approve annual budget and long term plans of the Group with power to delegate such responsibilities to one or more Board Committees; (v) monitor the performance of the management with reference to the Group's business plan, departmental working plan and related key performance indicators as determined and approved by the Board or a Board Committee from time to time; (vi) oversee the management of the Company's relationships with stakeholders, including customers, the community, interest groups and others who have a legitimate interest in the responsible conduct of the Group's business; (vii) ensure that a framework of prudent and effective controls is in place and to assess and manage risks of the Group; (viii) set the Company's values and standards; (ix) determine matters involving a conflict of interest for a substantial Shareholder or a Director; (x) determine material acquisitions and disposals of assets, investments, capital projects, authority levels, major treasury policies, risk management policies and key human resources issues; (xi) through the Audit Committee of the Company, establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors; (xii) ensure that the Company maintains sound and effective internal controls to safeguard the Shareholders' investment and the Company's assets; conduct a review of the effectiveness of the system of internal control of the Group annually covering all material controls, including financial, operational and compliance controls and risk management functions and report to Shareholders on the relevant findings in the corporate governance report of the Company; (xiii) 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 (xiv) 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.

D. Delegation by the Board (continued)

D.1. Management functions (continued)

Code	Code Provision
	(continued) The management, consisting of the CEO, the Executive Committee of the Board along with other senior executives, is responsible for the implementation of the strategy and direction as determined by the Board from time to time. In doing so, they apply business principles and ethics which are consistent with those expected by the Board and the Shareholders of the Company. The Board delegates management and administrative functions to the management in the conduct of the day-to-day operations of the Company, effectively, legally and ethically. This requires that the management team is aware of the material risks and issues faced by the Company and that they carefully supervise the Company's financial reporting systems and processes. **Management** Responsibilities of the management include: (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 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 the 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 for the activities of the Group; (x) determine the technical, financial, economic and pricing policies of the Group;

D. Delegation by the Board (continued)

D.1. Management functions (continued)

Code	Code Provision
	(continued) (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 and chief accountants of overseas and representative offices and relieve them of their duty; (xvii) approve overseas offices' budgets and amend such documents; (xviii) analyze the results of performance of the Group and compare against the budget and take appropriate actions to ensure performance in accordance with budget; (xix) report to the Executive Committee and the Audit Committee on the results of the performance of the Group; (xx) approve internal documents regulating matters within the authority of the management; and (xxi) handle such other matters that are delegated by the Board from time to time. **Executive Committee** The Executive Committee provides leadership in the day-to-day running of the Group's business. Being part of the management team, the Executive Committee held meetings on a regular basis. The members of the Executive Committee are Dr KWOK Siu Ming Simon (who presides as the chairman), Dr KWOK LAW Kwai Chun Eleanor and Mr LOOK Guy. Particulars of the Executive Committee members' individual attendance at meetings of the Executive Committee are set out on page 55. **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 2010, 10 management meetings were held which enhanced and strengthened departmental communications, coordination and co-operation within the Group.

The Board has delegated some of its functions to our Board Committees. We have five different Board Committees – Audit Committee, Compensation Committee, Executive Committee, Nomination Committee and the newly established Risk Management Committee.

D. Delegation by the Board (continued)

D.2. Board committees

Principle

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

Code	Code Provision
D.2.1	***Clear terms of reference*** *Board committees should have clear terms of reference to enable such committees to discharge their functions properly.*
D.2.2	***Committees to report back to board*** *Terms of reference of board committees should require such committees to report their decisions and recommendations back to the board.*
✔✔✔	All our Board Committees have clear terms of reference. The findings, decisions and recommendations made at each meeting are reported to the Board by the chairman of each Board Committee. **Nomination Committee** In additional to the Audit and Compensation Committees which are established under the Code Provisions, the Board established a Nomination Committee in accordance with the recommended best practice on 31 March 2005, whose members are Ms TAM Wai Chu Maria, being the chairman, Dr KWOK LAW Kwai Chun Eleanor and Dr LEUNG Kwok Fai Thomas, the majority of whom are INEDs. The terms of reference of the Nomination Committee, which is available on the Company's website, sets out details of the Committee's role and functions, nomination procedures and the process and criteria adopted for the selection and recommendation of candidates for directorship of the Company, summary of which is set out below.

D. Delegation by the Board (continued)

D.2. Board committees (continued)

Code	Code Provision
	(continued) The Nomination Committee is responsible for, inter alia: (i) determining the policy for the nomination of Directors; (ii) reviewing the structure, size and composition (including the skills, knowledge and expertise) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; (iii) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iv) assessing the independence of INEDs; and (v) making recommendations to the Board on the relevant matters relating to the appointment or re-appointment of Directors. When selecting and recommending candidates for directorship for the Board's consideration, the Nomination Committee reviews and considers various factors including: (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 which involves a consideration of matters such as the candidate's other Board or executive appointments; and (iii) the potential conflicts of interest and independence. During the year ended 31 March 2010, the Nomination Committee held one meeting to consider the re-appointment of Ms KI Man Fung Leonie as an INED. And it also reviewed and considered the appointment of Mr TAN Wee Seng as an additional non-executive Director and, being satisfied that he possessed the skills and experience to complement the existing Board composition, recommended that the Board approved his appointment. A meeting of the Nomination Committee was held after the reporting period on 21 June 2010 to (i) review the structure, size and composition of the Board; (ii) review the independence of the INEDs; and (iii) consider the re-appointment of one INED and one NED – Ms TAM Wai Chu Maria and Mrs LEE LOOK Ngan Kwan Christina. Their re-appointments were recommended to, and subsequently approved by, the Board and they will be subject to the provisions of the Articles of Association on rotation, retirement and election by shareholders. **Risk Management Committee** As part of the Group's commitment to further enhance its control environment, a Risk Management Committee, comprising all Executive Directors, was formed on 13 July 2009 and formally established on 27 November 2009 with written terms of reference approved by the Board. Four workshops and one meeting were held in the reporting period focusing on the development of an overall ERM framework, the identification and prioritization of risks and the development of a risk monitoring and reporting mechanism.

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	Code Provision
E.1.1	***Separate resolution for separate issue*** *A separate resolution at a general meeting on each substantially separate issue should be proposed by the chairman of that meeting.*
E.1.2	***Chairman of board and board committees should attend AGM*** *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.*
E.1.3	***Notice of meeting to shareholders*** *The issuer should arrange for the notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.*
✔✔✔	The chairman of the Board attended the AGM held on 27 August 2009. The chairman of each Board Committee or his/her appointed delegate was also present and was available to answer questions at the AGM. The Company establishes different communication channels with Shareholders and investors, including (i) sending of corporate communications (including but not limited to annual report, interim report, notice of meeting, circular and proxy form) required under the Listing Rules, and Shareholders can select to receive such documents by electronic means or in printed form; (ii) updated and key information of the Group is available on the Company's website; (iii) the Company's website offers a communication channel between the Group and its Shareholders and investors; (iv) the AGM also provides a forum for Shareholders to raise comments and exchange views with the Board; (v) regular press and analysts' conference are set up from time to time to update interested parties on the performances and development plans of the Group; (vi) the Company's branch share registrar and transfer office deals with Shareholders for all share registration and related matters; and (vii) the corporate communications department of the Company handles enquiries from Shareholders and investors generally.

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 timely communication. Various channels have been established to facilitate transparency. Key information on the Group, which is continuously updated (including a separate section on Corporate Governance), financial information, results reports and web casts of results presentations are available on our corporate web site (www.sasa.com). In addition to the AGM at which Shareholders are given an opportunity to 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 initiated a voluntary announcement of unaudited quarterly operational updates since the third quarter of financial year 2008/09. The Group also seeks opportunities to communicate 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 2010	Asian Investment Conference	Credit Suisse	Hong Kong
March 2010	Road show	Macquarie	Taipei
January 2010	Greater China Conference	UBS	Shanghai
January 2010	Road show	BNP Paribas	London, Paris and Milan
December 2009	HK & China Mini Conference	Citigroup	Hong Kong
November & December 2009	Road show	UOB Kay Hian	Hong Kong & Singapore
October 2009	Greater China Investor Conference	Citigroup	Beijing
August 2009	Road show	Mitsubishi UFJ	Tokyo
August 2009	HK/ China Access Day	CLSA	Hong Kong
June 2009	Road show	BNP Paribas	Hong Kong & Singapore
May 2009	Corporate Access Forum	CLSA	Singapore

The last shareholders' meeting was the AGM held on 27 August 2009 which was held at One Pacific Place, Hong Kong for approval of, among others, the general mandates to issue and purchase shares, the re-election of retiring Directors and amendments to the Memorandum and Articles of Association. Particulars of the major items considered at the AGM are set out in the circular dated 26 June 2009. All proposed ordinary and special resolutions were passed by poll at the AGM.

E. Communication with shareholders (continued)

E.2. Voting by poll

Principle

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

Code	Code Provision
E.2.1	***Voting by poll*** *Chairman to ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders.*
✔✔✔	All voting at our general meetings are conducted by poll pursuant to the new Listing Rules provisions which came into effect on 1 January 2009. The detailed procedures are explained at the commencement of the meetings by our Chairman with time for questioning immediately after the explanation. Our Articles of Association have also been amended so that they are consistent with the Listing Rules requirements.

Beyond the Code Provisions

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

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

(b) Our Chairman of the Board has performed duties and responsibilities set out in A.2.4 to A.2.6, A.2.8 and A.2.9 of the CG Code. He provides leadership for the Board and ensures that the Board works effectively and discharges its responsibilities. He also takes on other responsibilities such as being primarily responsible for Board agendas, ensuring that good corporate governance practices and procedures are established, and ensuring that there are effective communications between the Board and the Shareholders. All of the above responsibilities are incorporated into the terms of reference for the chairman.

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

(d) Two of our INEDs, namely Professor CHAN Yuk Shee and Dr LEUNG Kwok Fai Thomas, had been appointed since 1999 and 2000 respectively. Pursuant to A.4.3 of the CG Code, their re-appointments as INEDs despite their having served more than nine years were approved by the Shareholders in separate resolutions on 25 August 2008. The Company believed they continue to be independent and should be re-elected and explained the underlying reasons to the Shareholders by way of a circular on 11 July 2008.

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

Beyond the Code Provisions (continued)

(f) Pursuant to A.5.6 and A.5.7 of the CG Code, NEDs, as equal Board members, have given the Board and Board Committees on which they serve such as the Audit, Compensation or Nomination Committees the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. NEDs had made constructive and positive contribution to the development of the Group's strategy and policies through independent, constructive and informed comments and feedbacks. There was satisfactory attendance at Board and Board Committee meetings which is set out on page 55 of this report. All Directors or his/her appointed delegate attended our last AGM and developed a balanced understanding of the views of the Shareholders.

(g) Pursuant to C.3.7 of the CG Code, the terms of reference of the Audit Committee sets out that the Audit Committee shall act as the key representative body for overseeing the Company's relation with the external auditor and the Committee has discharged this responsibility throughout the year including meeting with the external auditor without the presence of the Executive Directors to discuss matters that the external auditor may wish to raise. For the purpose of achieving and maintaining high standards with regard to behaviour at work and in all its working practices, the Company has established a whistle-blowing policy approved by the Board pursuant to which employees may, in confidence, report serious concerns about malpractices or illegal acts that he/she becomes aware directly to the chairman of the Audit Committee. Proper arrangements are in place for the fair and independent investigation of all matters brought to the attention of the Committee and for appropriate follow-up action.

(h) Pursuant to D.1.3 of the CG Code, disclosure on division of responsibility between the Board and management was clearly set out in the related terms of reference. Details in relation to the work done by the Board and the management are set out on page 67 of this report.

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2010.

Principal activities and segment analysis of operations

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

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

Results and appropriations

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

An interim dividend of 3.0 HK cents (2009: 3.0 HK cents) per share and a special dividend of 6.0 HK cents (2009: 3.0 HK cents) per share were paid on 22 December 2009. The Directors recommend the payment of a final dividend of 5.0 HK cents (2009: 5.0 HK cents) per share and a special dividend of 14.0 HK cents (2009: 12.0 HK cents) per share, such dividends will be proposed at the AGM on Thursday, 26 August 2010 and are payable to shareholders whose names appear on the Register of Members of the Company on 26 August 2010. Total dividends paid and to be declared in respect of the year ended 31 March 2010 amounted to HK$389,625,000.

Financial summary

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

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Key income statement items					
Turnover					
- Continuing operations	**4,111,345**	3,608,990	3,221,429	2,676,816	2,425,314
- Discontinued operations	**–**	–	231,658	212,421	195,272
	4,111,345	3,608,990	3,453,087	2,889,237	2,620,586
Operating profit/(loss)					
- Continuing operations	**458,532**	370,115	322,733	247,474	215,661
- Discontinued operations	**–**	–	3,962	(186)	(10,569)
	458,532	370,115	326,695	247,288	205,092
Profit/(loss) before taxation					
- Continuing operations	**464,944**	383,311	347,555	270,557	232,803
- Discontinued operations	**–**	–	72,775	947	(10,193)
	464,944	383,311	420,330	271,504	222,610
Income tax expenses					
- Continuing operations	**(83,849)**	(67,360)	(71,302)	(50,030)	(39,196)
- Discontinued operations	**–**	–	(815)	319	1,757
	(83,849)	(67,360)	(72,117)	(49,711)	(37,439)
Profit/(loss) for the year					
- Continuing operations	**381,095**	315,951	276,253	220,527	193,607
- Discontinued operations	**–**	–	71,960	1,266	(8,436)
	381,095	315,951	348,213	221,793	185,171

Financial summary (continued)

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Key statement of financial position items					
Total assets	**1,582,277**	1,415,182	1,443,124	1,422,580	1,371,640
Total liabilities	**(386,407)**	(292,433)	(334,631)	(471,990)	(457,813)
Net assets	**1,195,870**	1,122,749	1,108,493	950,590	913,827
Shareholders' funds					
Share capital	**139,131**	138,125	137,894	136,862	134,711
Reserves	**1,056,739**	984,624	970,599	813,728	779,116
	1,195,870	1,122,749	1,108,493	950,590	913,827
Key financial information and ratio					
Basic earnings per share (HK cents)					
- Continuing operations	**27.5**	22.9	20.1	16.3	14.5
- Discontinued operations	**–**	–	5.2	0.1	(0.6)
	27.5	22.9	25.3	16.4	13.9
Diluted earnings per share (HK cents)					
- Continuing operations	**27.4**	22.9	20.1	16.2	14.3
- Discontinued operations	**–**	–	5.2	0.1	(0.6)
	27.4	22.9	25.3	16.3	13.7
Dividend per share (HK cents)					
Basic	**8.0**	8.0	8.0	8.0	8.0
Special	**20.0**	15.0	13.0	9.0	9.0
Total	**28.0**	23.0	21.0	17.0	17.0
Return on equity	**31.87%**	28.14%	31.41%	23.33%	20.26%
Shareholders' funds at book value per share	**0.86**	0.81	0.80	0.69	0.68
Working capital ratio	**3.57**	4.31	3.76	2.64	2.61
Stock turnover days	**90**	84	94	90	89
Total gross retail area (Note)	**298,449**	244,829	225,554	205,611	181,634

Note: The information on retail space provided is intended to allow the reader to appreciate the growth of our retail network and the size of retail space only. As there are significant variations in sales per square foot between stores of different store sizes, as well as stores in different countries and locations, the retail space information provided should not be used to analyse the trend for sales per square foot.

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 26 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 14 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 25 to the consolidated financial statements.

Share options

Share option schemes

(I) *1997 Share Option Scheme*

The Company adopted the 1997 share option scheme (the "1997 Share Option Scheme") on 22 May 1997. As at 31 March 2009, there was no outstanding share option under the 1997 Share Option Scheme. The operation of the 1997 Share Option Scheme was terminated on 29 August 2002 (such that no further options could be offered under the 1997 Share Option Scheme) but the provisions of the 1997 Share Option Scheme continued to govern options granted under this scheme up to and including 28 August 2002. No share options were granted, exercised or lapsed during the relevant period and there are no more shares available for issue under the 1997 Share Option Scheme. Please refer to the annual report of the Company for the year ended 31 March 2008 for details and latest movements of the share options under the 1997 Share Option Scheme for the relevant period.

(II) *2002 Share Option Scheme*

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

(a) Purpose

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

(b) Participants

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

Share options (continued)

Share option schemes (continued)

(II) 2002 Share Option Scheme (continued)

(c) Total number of shares available for issue

(i) The maximum number of shares in respect of which options may be granted under the 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 (the "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 24 June 2010, the total number of shares available for issue under the 2002 Share Option Scheme was 125,230,737 shares, which represented 8.98% of the total issued share capital of the Company at that date.

(d) Maximum entitlement of each Participant

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

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

(e) Option Period

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

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

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

(g) Consideration on acceptance of the option

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

Share options (continued)

Share option schemes (continued)

(II) 2002 Share Option Scheme (continued)

(h) Basis of determining the subscription price

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

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

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

(iii) the nominal value of a Share.

(i) Remaining life of the 2002 Share Option Scheme

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

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

						Number of Share Options				
Name	Date of grant	Subscription price per share (HK$)	Exercisable period	Vesting period (from the date of grant)	*Closing price of the shares immediately before the date on which the options were exercised (HK$)	Outstanding as at 1 April 2009	Granted during the year	Exercised during the year	#Lapsed during the year	Outstanding as at 31 March 2010
Directors										
Mr LOOK Guy	26 May 2006	2.965	28 February 2007 to 25 May 2016	0.75 year	5.21 (AVG)	2,248,141	–	(2,248,141)	–	–
			29 February 2008 to 25 May 2016	1.75 years	5.18	2,248,141	–	(2,248,141)	–	–
			28 February 2009 to 25 May 2016	2.75 years	5.18	2,248,140	–	(503,718)	–	1,744,422
			note (1)	note (1)	–	2,248,141	–	–	–	2,248,141
			note (1)	note (1)	–	2,248,141	–	–	–	2,248,141
			note (1)	note (1)	–	2,248,140	–	–	–	2,248,140
	2 March 2009	2.19	28 February 2010 to 1 March 2019	1 year	–	2,250,000	–	–	–	2,250,000
			28 February 2011 to 1 March 2019	2 years	–	2,250,000	–	–	–	2,250,000
			29 February 2012 to 1 March 2019	3 years	–	2,250,000	–	–	–	2,250,000
			note (2)	note (2)	–	2,250,000	–	–	–	2,250,000
			note (2)	note (2)	–	2,250,000	–	–	–	2,250,000
			note (2)	note (2)	–	2,250,000	–	–	–	2,250,000
Ms TAM Wai Chu Maria	29 June 2004	3.00	29 June 2005 to 28 June 2014	1 year	5.23	1,000,000	–	(1,000,000)	–	–

Share options (continued)

Share option schemes (continued)

(II) 2002 Share Option Scheme (continued)

Name	Date of grant	Subscription price per share (HK$)	Exercisable period	Vesting period (from the date of grant)	*Closing price of the shares immediately before the date on which the options were exercised (HK$)	Number of Share Options: Outstanding as at 1 April 2009	Granted during the year	Exercised during the year	#Lapsed during the year	Outstanding as at 31 March 2010
Employees Under Continuous Employment Contract	30 October 2003	1.68	30 October 2004 to 29 October 2013	1 year note (3)	4.30 (AVG)	234,367	–	(182,699)	–	51,668
	30 October 2003	1.68	30 October 2005 to 29 October 2013	2 years note (3)	4.84 (AVG)	671,335	–	(392,001)	–	279,334
	30 October 2003	1.68	30 October 2006 to 29 October 2013	3 years note (3)	4.28 (AVG)	1,492,323	–	(692,661)	–	799,662
	30 October 2003	1.68	note (4)	note (4)	4.29 (AVG)	487,030	–	(234,030)	(11,000)	242,000
	30 October 2003	1.68	note (4)	note (4)	4.00 (AVG)	560,304	–	(261,304)	(18,000)	281,000
	30 October 2003	1.68	30 October 2006 to 29 October 2013	3 years	4.11 (AVG)	1,889,313	–	(856,591)	(28,000)	1,004,722
	1 March 2004	2.85	14 January 2007 to 28 February 2014	3 years from date of employment	3.45	183,333	–	(183,333)	–	–
	1 March 2004	2.85	note (5)	note (5)	3.45	85,000	–	(85,000)	–	–
	3 March 2004	2.78	5 July 2007 to 2 March 2014	3 years from date of employment	3.45	333,333	–	(333,333)	–	–
	3 March 2004	2.78	note (6)	note (6)	3.45	140,000	–	(140,000)	–	–
	3 March 2004	2.78	note (6)	note (6)	3.45	302,000	–	(302,000)	–	–
	1 December 2004	3.85	2 December 2004 to 30 November 2014	–	5.14	278,666	–	(132,000)	–	146,666
	1 December 2004	3.85	30 October 2005 to 30 November 2014	2 years from 20 October 2003	5.16 (AVG)	278,667	–	(132,000)	–	146,667
	1 December 2004	3.85	30 October 2006 to 30 November 2014	3 years from 20 October 2003	5.19	278,667	–	(132,000)	–	146,667
	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 (7)	note (7)	–	26,000	–	–	–	26,000
	1 December 2004	3.85	note (7)	note (7)	–	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 (8)	note (8)	–	32,000	–	–	–	32,000
						35,536,181	**–**	**(10,058,952)**	**(57,000)**	**25,420,229**

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

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

Share options (continued)

Share option schemes (continued)

(II) 2002 Share Option Scheme (continued)

Notes:

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

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

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

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

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

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

(7) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 30 November 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 21 December 2014.

Fair value of share options, measured at the grant dates of the options, are determined using the binomial 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.

The accounting policy adopted for the share options is described in Note 25 to the consolidated financial statements.

Pre-emptive rights

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

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 2010 are set out in Note 30 to the consolidated financial statements.

Bank loans and overdrafts

As at 31 March 2010, the Group had no bank loans or overdrafts.

Capitalised interests

No interest was capitalised by the Group during the year.

Distributable reserves

As at 31 March 2010, the reserves of the Company available for distribution amounted to HK$736,563,000.

Donations

The Group made donations during the year totaling HK$2,423,000, details of which are set out in the "Corporate Social Responsibility" on page 32 of this annual report.

Directors

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

Executive directors

Dr KWOK Siu Ming Simon, *JP* (Chairman and CEO)
Dr KWOK LAW Kwai Chun Eleanor, *BBS* (Vice-chairman)
Mr LOOK Guy (CFO)

Non-executive director

Mrs LEE LOOK Ngan Kwan Christina

– term of directorship extended for a further term of three years commencing from 24 June 2010

Mr TAN Wee Seng

– appointed on 11 March 2010

Independent non-executive directors

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

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

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

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

Ms TAM Wai Chu Maria, *GBS, JP*

– term of directorship extended for a further term of three years commencing from 24 June 2010

Ms KI Man Fung Leonie, *SBS, JP*

– term of directorship extended for a further term of three years commencing from 15 December 2009

Directors (continued)

Mr TAN is appointed for a term from 11 March 2010 to the date of the Company's next AGM and will be eligible for re-election pursuant to Articles of Association. All other non-executive and independent non-executive directors have been appointed for a term of three years subject to the provisions of the Articles of Association on rotation, retirement and election by shareholders.

In accordance with Article 116 of the Articles of Association, Dr KWOK Siu Ming Simon, Dr KWOK LAW Kwai Chun Eleanor and Mr LOOK Guy will retire by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

Confirmation of independence from INEDs

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

Directors' biographies

Biographical details of the Directors are set out on pages 44 to 47 of this annual report.

Directors' service contracts

Subsequent to his appointment as a non-executive director of the Company with effect from 11 March 2010, Mr TAN has entered into a consulting service agreement dated 12 April 2010 with the Company for a term of one year, unless terminated in accordance with the terms and conditions specified therein. Under the service agreement, Mr TAN is to provide consulting services to the Group at a basic fee of HK$128,750 per month, which was determined with reference to Mr TAN's experience, qualifications and prevailing market conditions.

Each of the non-executive directors and independent non-executive directors has signed a letter of appointment with the Company under which he/she has agreed to act as a director of the Company for the respective term of office, unless terminated in accordance with the terms and conditions specified therein.

None of the directors offering themselves for election or re-election at the forthcoming AGM has entered into any service agreements with the Company which requires the Company to give a period of notice of more than one year or to pay compensation or make other payments equivalent to more than one year's emolument.

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

As at 31 March 2010, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

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

		Number of shares in the Company					
Name of director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate percentage of shareholding
Dr KWOK Siu Ming Simon	Interests of a controlled corporation (Note)	–	–	898,506,400	–	898,506,400	64.58%
	Beneficial Owner	20,364,000	–	–	–	20,364,000	1.46%
Dr KWOK LAW Kwai Chun Eleanor	Interests of a controlled corporation (Note)	–	–	898,506,400	–	898,506,400	64.58%
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%
Ms TAM Wai Chu Maria	Beneficial Owner	1,000,000	–	–	–	1,000,000	0.07%

Note:

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

Details of the interests of directors and chief executive in the derivatives interests in the Company for the year ended 31 March 2010 are disclosed in the Share Options section at page 79 of this report.

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

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

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

Dr KWOK Siu Ming Simon

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

Dr KWOK LAW Kwai Chun Eleanor

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

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

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

Notes:

1. Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor hold two Deferred Shares in Base Sun Investment Limited through Win Win Group International Limited (formerly known as Link Capital Investment Limited) and Modern Capital Investment Limited. Win Win Group International Limited and Modern Capital Investment Limited are companies owned as to 50% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor.

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

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

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

Directors' benefits from rights to acquire shares or debentures

Save as disclosed under the Share Options section at page 79, at no time during the year was the Company, its holding company or its subsidiaries or a subsidiary of the Company's holding company, a party to any arrangements which enabled the directors of the Company (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

Interests and short positions in shares and underlying shares of shareholders

So far as is known to any director or chief executives of the Company, as at 31 March 2010, shareholders, other than a director or chief executive, who had interests and short positions in the shares and underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are as follows:

Long position of substantial shareholders in the shares of the Company

Name of company	Capacity	No. of shares held	Approximate percentage of shareholding
Sunrise Height Incorporated	Beneficial owner	696,780,000 (Note)	50.08%
Green Ravine Limited	Beneficial owner	201,726,400 (Note)	14.50%

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

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

Contracts of significance

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

Management contracts

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

Connected transactions

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

Public float

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

Auditor

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

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

Hong Kong, 24 June 2010

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 139, which comprise the consolidated and company statement of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 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, 24 June 2010

Consolidated Income Statement

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Turnover	5	**4,111,345**	3,608,990
Cost of sales		**(2,296,481)**	(2,032,124)
Gross profit		**1,814,864**	1,576,866
Other income	5	**26,397**	26,151
Selling and distribution costs		**(1,214,725)**	(1,064,314)
Administrative expenses		**(166,302)**	(170,581)
Other (losses)/gains – net	6	**(1,702)**	1,993
Operating profit		**458,532**	370,115
Finance income		**6,412**	13,196
Profit before income tax	7	**464,944**	383,311
Income tax expenses	10	**(83,849)**	(67,360)
Profit for the year		**381,095**	315,951
Earnings per share for profit for the year (expressed in HK cents per share)	12		
Basic		**27.5**	22.9
Diluted		**27.4**	22.9
Dividends	13	**389,625**	317,691

The notes on pages 98 to 139 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	**381,095**	315,951
Other comprehensive income		
Depreciation transfer on buildings, net of tax	**87**	87
Fair value gains on buildings, net of tax	**6,108**	–
Currency translation differences	**14,919**	(17,556)
Other comprehensive income for the year, net of tax	**21,114**	(17,469)
Total comprehensive income for the year	**402,209**	298,482

The notes on pages 98 to 139 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**133,856**	114,774
Leasehold land	15	**27,167**	27,964
Investment property	16	**11,700**	10,000
Rental deposits and other assets	18	**92,212**	63,885
Deferred income tax assets	19	**3,468**	2,657
		268,403	219,280
Current assets			
Inventories	20	**563,159**	468,670
Trade receivables	21	**38,589**	25,280
Other receivables, deposits and prepayments	21	**65,818**	81,456
Bank deposits over three months	22	**253,728**	35,863
Cash and cash equivalents	22	**392,580**	584,633
		1,313,874	1,195,902
LIABILITIES			
Current liabilities			
Trade and bills payables	23	**175,912**	144,475
Other payables and accruals		**156,337**	111,397
Income tax payable		**35,372**	21,851
		367,621	277,723
Net current assets		**946,253**	918,179
Total assets less current liabilities		**1,214,656**	1,137,459
Non-current liabilities			
Retirement benefit obligations	24	**4,111**	4,193
Deferred income tax liabilities	19	**3,660**	1,256
Other payables		**11,015**	9,261
		18,786	14,710
Net assets		**1,195,870**	1,122,749

Consolidated Statement of Financial Position

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
EQUITY			
Capital and reserves			
Share capital	25	**139,131**	138,125
Reserves	26	**791,917**	749,809
Proposed dividends	26	**264,822**	234,815
Total equity		**1,195,870**	1,122,749

On behalf of the Board

KWOK Siu Ming Simon
Director

KWOK LAW Kwai Chun Eleanor
Director

The notes on pages 98 to 139 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries	17	**617,058**	546,965
Other assets	18	**750**	750
		617,808	547,715
Current assets			
Other receivables, deposits and prepayments		**292**	691
Bank deposits over three months	22	**193,687**	–
Cash and cash equivalents	22	**95,621**	361,555
		289,600	362,246
LIABILITIES			
Current liabilities			
Other payables and accruals		**5,838**	5,599
Net current assets		**283,762**	356,647
Net assets		**901,570**	904,362
EQUITY			
Capital and reserves			
Share capital	25	**139,131**	138,125
Reserves	26	**497,617**	531,422
Proposed dividends	26	**264,822**	234,815
Total equity		**901,570**	904,362

On behalf of the Board

KWOK Siu Ming Simon
Director

KWOK LAW Kwai Chun Eleanor
Director

The notes on pages 98 to 139 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Cash generated from operations	27	**484,741**	412,113
Hong Kong profits tax paid		**(60,831)**	(69,620)
Overseas tax paid		**(9,255)**	(7,995)
Net cash generated from operating activities		**414,655**	334,498
Cash flows from investing activities			
Purchase of property, plant and equipment		**(74,112)**	(75,069)
Proceeds from disposal of property, plant and equipment		**280**	1,675
(Increase)/decrease in bank deposits over three months to maturity		**(217,865)**	191,399
Interest received		**4,632**	9,582
Net cash (used in)/generated from investing activities		**(287,065)**	127,587
Cash flows from financing activities			
Proceeds from shares issued upon exercise of options		**26,670**	3,881
Dividends paid to company's shareholders		**(359,950)**	(290,050)
Net cash used in financing activities		**(333,280)**	(286,169)
Net (decrease) / increase in cash and cash equivalents		**(205,690)**	175,916
Cash and cash equivalents at beginning of year		**584,633**	424,381
Effect of foreign exchange rate changes		**13,637**	(15,664)
Cash and cash equivalents at end of year		**392,580**	584,633

The notes on pages 98 to 139 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Note	Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 April 2008		137,894	970,599	1,108,493
Profit for the year		–	315,951	315,951
Other comprehensive income:				
Depreciation transfer on buildings, net of tax		–	87	87
Currency translation differences		–	(17,556)	(17,556)
Total comprehensive income for the year		–	298,482	298,482
Employee share option scheme:				
Value of employee services		–	1,943	1,943
Proceeds from shares issued upon exercise of options	25(a) & 26(a)	231	3,650	3,881
Dividends				
2007/2008 Final and Special dividends		–	(207,174)	(207,174)
2008/2009 Interim dividend		–	(41,438)	(41,438)
2008/2009 Special dividend		–	(41,438)	(41,438)
Balance at 31 March 2009		138,125	984,624	1,122,749
Balance at 1 April 2009		**138,125**	**984,624**	**1,122,749**
Profit for the year		**–**	**381,095**	**381,095**
Other comprehensive income:				
Depreciation transfer on buildings, net of tax		**–**	**87**	**87**
Fair value gains on buildings, net of tax		**–**	**6,108**	**6,108**
Currency translation differences		**–**	**14,919**	**14,919**
Total comprehensive income for the year		**–**	**402,209**	**402,209**
Employee share option scheme:				
Value of employee services		**–**	**4,192**	**4,192**
Proceeds from shares issued upon exercise of options	25(a) & 26(a)	**1,006**	**25,664**	**26,670**
Dividends				
2008/2009 Final and Special dividends		**–**	**(235,147)**	**(235,147)**
2009/2010 Interim dividend		**–**	**(41,601)**	**(41,601)**
2009/2010 Special dividend		**–**	**(83,202)**	**(83,202)**
Balance at 31 March 2010		**139,131**	**1,056,739**	**1,195,870**

The notes on pages 98 to 139 are an integral part of these consolidated financial statements.

1 General information

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

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is P.O. Box 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 ("the Stock Exchange").

As at 31 March 2010, 50.1% 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, which was owned 50.0% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor, as being the ultimate holding company of the Company.

These consolidated financial statements are presented in thousands of 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 24 June 2010.

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 (the "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.

Changes in accounting policy and disclosures

(i) The Group has adopted the following new and amended HKFRS as of 1 April 2009:

HKAS 1 (revised), 'Presentation of financial statements' (effective 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(a) Basis of preparation (continued)

(i) The Group has adopted the following new and amended HKFRS as of 1 April 2009: (continued)

HKFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company has adopted HKFRS 2 (amendment) from 1 April 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

HKFRS 8, 'Operating segments' (effective 1 January 2009). HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented, as the previously reported retail and wholesale has been split into geographic perspective including Hong Kong & Macau, Mainland China and All other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Executive directors of the Group are identified as the chief operating decision-maker that make strategic and operating decisions.

(ii) The following new and amended HKFRS are effective for accounting periods beginning on or after 1 April 2009 but is not relevant to the Group's operations:

HKFRS 7, 'Financial instruments – disclosures' (amendment) (effective 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 April 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognised all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of HKAS 23, 'Borrowing costs' (2007) in accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on the Group's or Company's financial statements.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2010 or later periods, but the Group has not early adopted them:

HK(IFRIC) Int 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009).

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

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

HKAS 38 (amendment), 'Intangible assets' (effective from 1 July 2009).

HKFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale' (effective from 1 July 2010).

HKAS 1 (amendment), 'Presentation of financial statements' (effective from 1 January 2010).

HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions' (effective from 1 January 2010).

HKFRS 9 (amendments), 'Financial instruments' (effective from 1 January 2013).

HK (IFRIC) Int 19, 'Extinguishing financial liabilities with equity instruments' (effective from 1 July 2010).

(b) Consolidation

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

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

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

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

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

(c) Revenue recognition

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

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

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

(d) Property, plant and equipment

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

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

2 Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in the income statement. When revalued assets are sold, the amounts included in fair value reserve 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 periods of the lease.

(f) Investment property

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental 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 an investment property when the rest of the definition of an investment property is met. The operating lease is accounted for as if it was a finance lease.

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

After initial recognition at cost, 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 net gains.

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

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

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

(h) Financial assets

(i) Classification

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' (Note 21), 'bank deposits over three months to maturity' (Note 22) and 'cash and cash equivalents' (Note 22) in the statement of financial position.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

(i) Inventories

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

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

2 Summary of significant accounting policies (continued)

(j) Trade and other receivables

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

(k) Cash and cash equivalents

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

(l) Share capital

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

(m) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(n) Current and deferred income tax

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

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

(n) Current and deferred income tax (continued)

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

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

(o) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(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 statement of financial position presented are translated at the closing rate at the end of the reporting period;

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

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

2 Summary of significant accounting policies (continued)

(o) Foreign currency translation (continued)

(iii) Group companies (continued)

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

(p) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit obligations

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

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

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

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.

(p) Employee benefits (continued)

(iii) Long service payments

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

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

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

(iv) Share-based payment

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

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

(v) Bonus plan

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

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

(q) Segment reporting

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

2 Summary of significant accounting policies (continued)

(r) Contingent liabilities and contingent assets

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

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

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

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

(s) Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Foreign exchange risk

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

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

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 2010, 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$1,671,000 (2009: HK$4,841,000) and lower by HK$272,000 (2009: HK$94,000), 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

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, other receivables, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. As at 31 March 2010, all bank balances and bank deposits are held at reputable financial institutions. In respect of wholesale customers, individual risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. No material credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance by these counterparties.

Trade receivables are due within 60 days from the date of billings. As at 31 March 2010, 97.1% of the total trade receivables was due within 90 days (2009: 97.3%). The maximum exposure to credit risk is represented by the carrying amount of trade receivables in the consolidated statement of financial position. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 21.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and making available an adequate amount of committed credit facilities with staggered maturities to reduce refinancing risk in any year and to fund working capital, debt servicing, dividend payments, new investments and close out market positions if required. The Group has steady cash inflow from operations and has adequate financial resources to fund its operations and future expansion. As at 31 March 2010, the Group's financial liabilities were mainly trade and bills payables and other payables amounting to HK$240,035,000 (2009: HK$192,857,000), which were due within 12 months.

(d) Interest rate risk

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

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

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

3.2 Capital risk management

The Group's policy is to maintain a strong capital base so as to maintain creditor and 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 deferred tax provisions in the period in which such determination is made.

At 31 March 2010, the Group did not recognise deferred income tax assets of HK$35,672,000 in respect of losses amounting to HK$153,575,000 that can be carried forward against future taxable income. Estimating the amount of deferred income tax asset arising from tax losses requires a process that involves determining appropriate provisions for income tax expense, forecasting future year's taxable income and assessing our ability to utilise tax benefits through future earnings. In cases where the actual future profits generated are different from original estimates than expected, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such circumstances are changed.

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

The Company conducts impairment reviews of investments in subsidiaries and non-financial assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable or tests for impairment annually in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the value in use, which requires the Group to estimate the future cash flows and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. In 2010, 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 2010.

(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 25.

5 Revenues, turnover and segment information

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

	Group	
	2010	2009
	HK$'000	HK$'000
Turnover		
Retail and wholesale	**4,111,345**	3,608,990
Other income		
Slide display rental income	**25,583**	21,984
Rental income	**814**	841
Sundry income	**–**	3,326
	26,397	26,151
	4,137,742	3,635,141

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

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

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

5 Revenues, turnover and segment information (continued)

	For the year ended 31 March 2010			
	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
Turnover	**3,288,142**	**97,035**	**726,168**	**4,111,345**
Results				
Segment results	**346,753**	**(18,580)**	**52,922**	**381,095**
Other information				
Capital expenditure	**43,410**	**11,155**	**19,547**	**74,112**
Finance income	**4,668**	**73**	**1,671**	**6,412**
Income tax expenses	**72,219**	**–**	**11,630**	**83,849**
Depreciation	**41,327**	**7,497**	**13,553**	**62,377**
Amortisation	**797**	**–**	**–**	**797**

	For the year ended 31 March 2009			
	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
Turnover	2,981,159	60,164	567,667	3,608,990
Results				
Segment results	318,312	(27,252)	24,891	315,951
Other information				
Capital expenditure	51,577	13,488	10,004	75,069
Finance income	11,038	70	2,088	13,196
Income tax expenses	59,144	–	8,216	67,360
Depreciation	44,962	6,241	13,265	64,468
Amortisation	796	–	–	796

5 Revenues, turnover and segment information (continued)

	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
At 31 March 2010				
Non-current assets	**209,830**	**16,471**	**37,884**	**264,185**
Current assets	**1,020,742**	**56,305**	**236,827**	**1,313,874**
Deferred income tax assets				**3,468**
Unallocated corporate asset				**750**
				1,582,277
At 31 March 2009				
Non-current assets	174,907	12,516	28,450	215,873
Current assets	995,034	26,083	174,785	1,195,902
Deferred income tax assets				2,657
Unallocated corporate asset				750
				1,415,182

6 Other (losses)/gains – net – Group

	2010 HK$'000	2009 HK$'000
Fair value gain/(loss) on investment property (Note 16)	**1,700**	(1,500)
Net exchange (losses)/gains	**(3,402)**	3,493
	(1,702)	1,993

7 Expenses by nature – Group

	2010 HK$'000	2009 HK$'000
Cost of inventories sold	**2,289,556**	2,007,127
Provision for slow moving inventories and stock shrinkage	**6,925**	24,997
Employee benefit expenses (including directors' emoluments) (Note 8)	**554,750**	492,867
Depreciation of property, plant and equipment (Note 14)	**62,377**	64,468
Amortisation of leasehold land (Note 15)	**797**	796
Write-off of property, plant and equipment (Note 14)	**1,473**	2,858
Provision for impairment losses on trade receivables	**293**	19
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**380,550**	336,975
– contingent rent	**16,571**	13,389
Auditors' remuneration	**2,904**	2,936
Advertising and promotion expenses	**82,550**	69,409
Others	**278,762**	251,178
	3,677,508	3,267,019
Representing:		
Cost of sales	**2,296,481**	2,032,124
Selling and distribution costs	**1,214,725**	1,064,314
Administrative expenses	**166,302**	170,581
	3,677,508	3,267,019

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

	2010 HK$'000	2009 HK$'000
Directors' fees	**1,356**	1,343
Wages, salaries, housing allowances, other allowances and benefits in kind	**525,792**	464,076
Provision for unutilised annual leave	**1,335**	3,096
Retirement benefit costs (Note 24(b))	**22,075**	22,409
Share-based payment	**4,192**	1,943
	554,750	492,867

9 Directors' and senior management's emoluments – Group

(a) Directors' emoluments

Directors' emoluments comprised payments to the Company's directors (including the five highest paid individuals in the Group) in connection with the management of the affairs of the Group. The non-executive directors receive an annual director's fee of HK$257,400 (2009: HK$257,400) each; and for those acting as chairmen of Audit Committee, Compensation Committee and Nomination Committee (the "Committees"), an additional fee of HK$8,000 (2009: HK$8,000) is paid for their presiding at each of the Committees meeting.

The remuneration of each director of the Company during the year ended 31 March 2010 was set out below:

	Directors' fees HK$'000	Basic salaries, housing allowances, other allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Share-based payment (i) HK$'000	Total HK$'000
Executive Directors						
Dr KWOK Siu Ming Simon *JP*	–	2,858	238	200	–	3,296
Dr KWOK LAW Kwai Chun Eleanor *BBS*	–	2,594	216	182	–	2,992
Mr LOOK Guy	–	3,180	–	222	4,192	7,594
Non-executive Directors						
Mrs LEE LOOK Ngan Kwan Christina	257	–	–	–	–	257
Mr TAN Wee Seng (iii)	15	–	–	–	–	15
Independent Non-executive Directors						
Professor CHAN Yuk Shee *PhD, BBS, JP*	297	–	–	–	–	297
Dr LEUNG Kwok Fai Thomas *PhD, BBS, JP*	265	–	–	–	–	265
Ms TAM Wai Chu Maria *GBS, JP*	265	–	–	–	–	265
Ms KI Man Fung Leonie *SBS, JP*	257	–	–	–	–	257
	1,356	8,632	454	604	4,192	15,238

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 2009 was set out below:

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

Notes:

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

(ii) During the year ended 31 March 2010, no share options were granted to the executive director under the 2002 Share Option Scheme (2009: 13,500,000 share options).

(iii) Appointed on 11 March 2010.

No compensation for loss of office has been paid to the directors for the years ended 31 March 2010 and 2009.

No director of the Company waived any emoluments during the years ended 31 March 2010 and 2009.

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 (2009: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: two) individuals during the year were as follows:

	2010 HK$'000	2009 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,770**	2,664
Discretionary bonuses	**750**	1,286
Retirement benefit costs	**345**	186
	3,865	4,136

The emoluments of the individuals fell within the following bands:

Emoluments bands	Number of individuals 2010	 2009
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	1
	2	2

10 Income tax expenses – Group

Hong Kong profits tax has been provided for at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2010 HK$'000	2009 HK$'000
Hong Kong profits tax		
Current	**72,625**	58,720
Under/(over) provision in previous years	**158**	(154)
Overseas taxation		
Current	**10,781**	8,861
Over provision in previous years	**(400)**	(77)
Deferred income tax relating to origination and reversal of temporary differences (Note 19)	**685**	(23)
Change in tax rate	**–**	33
	83,849	67,360

10 Income tax expenses – Group (continued)

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

	2010 HK$'000	2009 HK$'000
Profit before income tax	**464,944**	383,311
Tax calculated at a taxation rate of 16.5% (2009: 16.5%)	**76,716**	63,246
Effect of different taxation rates in other countries	**(245)**	73
Income not subject to income tax	**(870)**	(3,644)
Expenses not deductible for income tax purposes	**3,859**	1,901
Net unrecognised tax losses	**4,631**	5,982
Over provision in previous years	**(242)**	(231)
Change in tax rate	**–**	33
Income tax expenses	**83,849**	67,360

The weighted average applicable tax rate was 18.0% (2009: 17.6%).

11 Profit for the year

Profit for the year is dealt with in the financial statements of the Company to the extent of HK$326,296,000 (2009: HK$304,787,000).

12 Earnings per share

(a) The calculation of basic and diluted earnings per share is based on the Group's profit for the year of HK$381,095,000 (2009: HK$315,951,000).

(b) The calculation of basic earnings per share is based on the weighted average of 1,384,129,560 (2009: 1,380,511,396) shares in issue during the year.

(c) Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The calculation of diluted earnings per share is based on the weighted average number of 1,384,129,560 (2009: 1,380,511,396) shares in issue during the year plus the weighted average number of 9,079,840 (2009: 1,690,332) shares deemed to be issued. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

13 Dividends – Company

	2010 HK$'000	2009 HK$'000
Interim, paid – 3.0 HK cents (2009: 3.0 HK cents) per share	**41,601**	41,438
Special, paid – 6.0 HK cents (2009: 3.0 HK cents) per share	**83,202**	41,438
Final, proposed – 5.0 HK cents (2009: 5.0 HK cents) per share	**69,690**	69,063
Special, proposed – 14.0 HK cents (2009: 12.0 HK cents) per share	**195,132**	165,752
	389,625	317,691

13 Dividends – Company (continued)

At a meeting held on 24 June 2010, the directors proposed a final dividend of 5.0 HK cents and a special dividend of 14.0 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 2011.

14 Property, plant and equipment – Group

	Buildings HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles and vessel HK$'000	Total HK$'000
Year ended 31 March 2010					
Opening net book amount	20,067	63,729	27,468	3,510	114,774
Exchange differences	–	711	794	8	1,513
Revaluation	7,315	–	–	–	7,315
Additions	–	52,664	21,269	179	74,112
Disposals	–	–	(8)	–	(8)
Write-off	–	(953)	(520)	–	(1,473)
Depreciation	(2,569)	(43,348)	(15,220)	(1,240)	(62,377)
Closing net book amount	**24,813**	**72,803**	**33,783**	**2,457**	**133,856**
At 31 March 2010					
Cost or valuation	**24,813**	**276,190**	**120,416**	**13,688**	**435,107**
Accumulated depreciation	**–**	**(203,387)**	**(86,633)**	**(11,231)**	**(301,251)**
Net book amount	**24,813**	**72,803**	**33,783**	**2,457**	**133,856**
At 1 April 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
Year ended 31 March 2009					
Opening net book amount	22,635	55,703	29,989	1,149	109,476
Exchange differences	–	(1,374)	(700)	(34)	(2,108)
Additions	–	54,735	16,524	3,810	75,069
Disposals	–	–	(2)	(335)	(337)
Write-off	–	(1,581)	(1,277)	–	(2,858)
Depreciation	(2,568)	(43,754)	(17,066)	(1,080)	(64,468)
Closing net book amount	20,067	63,729	27,468	3,510	114,774
At 31 March 2009					
Cost or valuation	25,203	236,330	100,197	13,413	375,143
Accumulated depreciation	(5,136)	(172,601)	(72,729)	(9,903)	(260,369)
Net book amount	20,067	63,729	27,468	3,510	114,774

14 Property, plant and equipment – Group (continued)

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

	Buildings HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles and vessel HK$'000	Total HK$'000
At 31 March 2010					
At cost	**–**	**276,190**	**120,416**	**13,688**	**410,294**
At valuation	**24,813**	**–**	**–**	**–**	**24,813**
	24,813	**276,190**	**120,416**	**13,688**	**435,107**
At 31 March 2009					
At cost	–	236,330	100,197	13,413	349,940
At valuation	25,203	–	–	–	25,203
	25,203	236,330	100,197	13,413	375,143

(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 market values at 31 March 2010 by DTZ Debenham Tie Leung Limited, an independent firm of professional surveyors. The surplus arising on revaluation of buildings amounting to HK$7,315,000 is credited to the building revaluation reserve.

(c) The carrying amounts of buildings would have been HK$12,021,000 (2009: HK$13,797,000) had they been stated at cost less accumulated depreciation.

15 Leasehold land – Group

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

	2010 HK$'000	2009 HK$'000
At beginning of the year	**27,964**	28,760
Amortisation of prepaid operating lease payment	**(797)**	(796)
At end of the year	**27,167**	27,964

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

16 Investment property – Group

	2010 HK$'000	2009 HK$'000
At beginning of the year	**10,000**	11,500
Fair value gain/(loss) (Note 6)	**1,700**	(1,500)
At end of the year	**11,700**	10,000

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

(b) The investment property was revalued on the basis of its market value at 31 March 2010 by DTZ Debenham Tie Leung Limited, an independent firm of professional surveyors. The surplus arising on revaluation of investment property amounting to HK$1,700,000 (2009: deficit of HK$1,500,000) is credited to the income statement.

(c) During the year, the Group has gross rental income of HK$505,000 (2009: HK$504,000) from investment property. The amount was included in other income in the income statement.

17 Investments in and amounts due from subsidiaries – Company

	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries (Note (b))	**1,067,989**	997,896
Provision for impairment of amounts due from subsidiaries	**(450,932)**	(450,932)
	617,058	546,965

(a) Details of the Company's principal subsidiaries are set out in Note 30 to the consolidated financial statements.

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

18 Rental deposits and other assets

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Rental deposits	**91,462**	63,135	**–**	–
Others	**750**	750	**750**	750
	92,212	63,885	**750**	750

Rental deposits are carried at amortised cost using the effective interest rate of 0.7%-3.8% per annum. At 31 March 2010, the carrying amounts of rental deposits approximate their fair values.

19 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% (2009: 16.5%).

The movement in the net deferred income tax (liabilities)/assets account is as follows:

	2010 HK$'000	2009 HK$'000
At beginning of the year	**1,401**	1,600
Deferred income tax (charged)/credited to the income statement (Note 10)	**(685)**	23
Tax charged directly to building revaluation reserve in equity	**(1,119)**	87
Decrease in opening net deferred tax assets resulting from change in tax rate	**–**	(33)
Exchange differences	**211**	(276)
At end of the year	**(192)**	1,401

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$35,672,000 (2009: HK$33,046,000) in respect of losses amounting to HK$153,575,000 (2009: HK$139,400,000) that can be carried forward against future taxable income. Losses amounting to HK$132,594,000 (2009: HK$116,985,000) will expire within 5 and 10 years from 31 March 2010. The remaining tax losses have no expiry date.

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 statement of financial position:

	2010 HK$'000	2009 HK$'000
Deferred income tax assets	**3,468**	2,657
Deferred income tax liabilities	**(3,660)**	(1,256)
	(192)	1,401

19 Deferred income tax – Group (continued)

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		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of year	**416**	310	**237**	274	**2,651**	2,816	**3,304**	3,400
Credited/(charged) to the income statement	**102**	133	**(11)**	(37)	**373**	117	**464**	213
Decrease in opening deferred tax assets resulting from decrease in tax rate	**–**	(5)	**–**	–	**–**	(28)	**–**	(33)
Exchange differences	**21**	(22)	**–**	–	**186**	(254)	**207**	(276)
At end of year	**539**	416	**226**	237	**3,210**	2,651	**3,975**	3,304

Deferred income tax liabilities	Accelerated tax depreciation		Fair value gain		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of year	**1,326**	1,136	**577**	664	**1,903**	1,800
Charged to the income statement	**1,149**	190	**–**	–	**1,149**	190
Charged/(credited) directly to equity	**–**	–	**1,119**	(87)	**1,119**	(87)
Exchange differences	**(4)**	–	**–**	–	**(4)**	–
At end of year	**2,471**	1,326	**1,696**	577	**4,167**	1,903

20 Inventories – Group

	2010	2009
	HK$'000	HK$'000
Merchandise stock for resale	**563,159**	468,670

The cost of inventories recognised as expense and included in cost of sales amounted to HK$2,289,556,000 (2009: HK$2,007,127,000).

During the year, the Group has made a provision of HK$6,925,000 for slow moving inventories and stock shrinkage (2009: HK$24,997,000). The amount was included in cost of sales in the consolidated income statement.

21 Trade and other receivables, deposits and prepayments – Group

	2010 HK$'000	2009 HK$'000
Trade receivables	**38,969**	25,367
Less: provision for impairment losses on trade receivables	**(380)**	(87)
Trade receivables – net	**38,589**	25,280
Other receivables, deposits and prepayments	**65,818**	81,456

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

The Group's turnover comprises mainly cash sales and credit card sales. Certain wholesale customers are granted credit terms ranging from 7 to 60 days. The ageing analysis of trade receivables is as follows:

	2010 HK$'000	2009 HK$'000
Within 1 month	**29,544**	21,513
1 to 3 months	**7,933**	3,085
Over 3 months	**1,112**	682
	38,589	25,280

As at 31 March 2010, trade receivables of HK$3,052,000 (2009: HK$1,850,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010 HK$'000	2009 HK$'000
1 to 3 months	**2,997**	1,339
Over 3 months	**55**	511
	3,052	1,850

Trade receivables are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Hong Kong dollars	**20,093**	15,910
Renminbi	**9,681**	4,666
Taiwan dollars	**4,667**	2,646
Others	**4,148**	2,058
	38,589	25,280

21 Trade and other receivables, deposits and prepayments – Group (continued)

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

	2010 HK$'000	2009 HK$'000
At 1 April	**87**	68
Provision for receivable impairment	**293**	25
Unused amounts reversed	**–**	(6)
At 31 March	**380**	87

During the year, the Group has made a provision for impairment losses on trade receivables of HK$293,000 (2009: HK$19,000). 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.

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

22 Cash and bank balances

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Bank deposits over three months	**253,728**	35,863	**193,687**	–
Cash at bank and in hand	**133,530**	107,115	**7,552**	5,933
Short-term bank deposits	**259,050**	477,518	**88,069**	355,622
Cash and cash equivalents	**392,580**	584,633	**95,621**	361,555
Total	**646,308**	620,496	**289,308**	361,555

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Hong Kong dollars	**289,188**	82,681	**184,677**	5,733
U.S. dollars	**160,046**	400,722	**104,631**	355,822
Euro	**48,228**	24,214	**–**	–
Renminbi	**15,298**	5,530	**–**	–
Singapore dollars	**16,134**	14,688	**–**	–
Malaysian Ringit	**65,606**	52,482	**–**	–
Taiwan dollars	**14,023**	12,935	**–**	–
Others	**37,785**	27,244	**–**	–
	646,308	620,496	**289,308**	361,555

The effective interest rate on bank deposits over three months was 1.3% (2009: 3.0%). These deposits have an average maturity of 6 months (2009: 1 year).

22 Cash and bank balances (continued)

The effective interest rate on short-term bank deposits was 0.5% (2009: 1.2%). These deposits have an average maturity of 1 month (2009: 2 months).

23 Trade and bills payables – Group

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

	2010 HK$'000	2009 HK$'000
Within 1 month	**105,164**	84,507
1 to 3 months	**61,814**	49,277
Over 3 months	**8,934**	10,691
	175,912	144,475

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

Trade and bills payables are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Hong Kong dollars	**104,268**	76,195
U.S. dollars	**9,189**	18,192
Euro	**13,119**	14,674
Renminbi	**19,928**	7,838
Singapore dollars	**5,030**	5,672
Malaysian Ringit	**8,089**	7,906
Taiwan dollars	**12,707**	9,045
Swiss Franc	**3,079**	1,726
Others	**503**	3,227
	175,912	144,475

24 Retirement benefit obligations – Group

(a) Retirement benefit obligations

	2010 HK$'000	2009 HK$'000
Retirement benefit obligations on		
– Defined benefit plan (Note (b)(ii))	**29**	173
– Long service payments (Note (b)(iii))	**4,082**	4,020
	4,111	4,193

24 Retirement benefit obligations – Group (continued)

(b) Retirement benefit costs

	2010 HK$'000	2009 HK$'000
Retirement benefit costs (Note 8)		
– Defined contribution plans (Note (i))	**22,044**	22,338
– Defined benefit plan (Note (ii))	**(44)**	(130)
	22,000	22,208
– Long service payments (Note (iii))	**75**	201
	22,075	22,409
Gross employer's contributions	**22,875**	22,510
Less: Forfeited contributions utilised to reduce employer's contributions for the year	**(875)**	(302)
Net employer's contributions charged to the consolidated income statement	**22,000**	22,208
Long service payments (Note (iii))	**75**	201
	22,075	22,409

Notes:

(i) Prior to 1 December 2000, certain subsidiaries of the Group in Hong Kong operated a defined contribution retirement benefit plan (the "Retirement Scheme") for the employees in Hong Kong. On 1 December 2000, the Retirement Scheme has been suspended and replaced by the Mandatory Provident Fund Scheme (the "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 (the "Old Retirement Plan") providing benefits to all employees in accordance with the Labor Standards Law (as amended) in Taiwan. The Group has an obligation to ensure that there are sufficient funds in the Old Retirement Plan to pay the benefits earned. The branch currently contributes at 2% of the total salaries as determined and approved by the relevant government authorities. The assets of the Old Retirement Plan are invested by the Central Trust of China and the assets are held separately from those of the Group in independent administered funds.

The latest actuarial valuation was prepared as at 31 March 2010 by HSBC Life (International) Limited, a qualified actuary, using the projected unit credit method.

24 Retirement benefit obligations – Group (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

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

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2010 HK$'000	2009 HK$'000
Present value of funded obligations	**2,718**	2,061
Fair value of plan assets	**(2,556)**	(2,246)
	162	(185)
Unrecognised actuarial gains	**(133)**	358
Liability in the statement of financial position (Note (a))	**29**	173

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

	2010 HK$'000	2009 HK$'000
Current service cost	**36**	36
Interest cost	**22**	38
Expected return on plan assets	**(73)**	(64)
Net actuarial gains recognised in the year	**(29)**	(140)
Total included in employee benefit expenses	**(44)**	(130)

Movement in the defined benefit retirement plan obligations recognised in the consolidated statement of financial position is as follows:

	2010 HK$'000	2009 HK$'000
At beginning of year	**173**	451
Total expense	**(44)**	(130)
Contributions paid	**(111)**	(107)
Exchange differences	**11**	(41)
At end of year	**29**	173

The principal actuarial assumptions used are as follows:

	2010 %	2009 %
Discount rate	**1.20**	1.00
Expected rate of return on plan assets	**3.00**	3.00
Expected rate of future salary increases	**0-3.00**	0-3.00

24 Retirement benefit obligations – Group (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

(iii) (continued)

The Group's provision for long service payments are determined based on the actuarial valuation as at 31 March 2010 prepared by HSBC Life (International) Limited, a qualified actuary, using the projected unit credit method.

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2010 HK$'000	2009 HK$'000
Present value of unfunded obligations	**1,543**	2,042
Unrecognised actuarial gains	**2,539**	1,978
Liability in statement of financial position (Note (a))	**4,082**	4,020

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

	2010 HK$'000	2009 HK$'000
Current service cost	**259**	409
Interest cost	**38**	43
Net actuarial gains recognised in the year	**(222)**	(251)
Total included in employee benefit expenses	**75**	201

Movement in the provision for long service payments obligations recognised in the consolidated statement of financial position is as follows:

	2010 HK$'000	2009 HK$'000
At beginning of year	**4,020**	4,178
Total expense	**75**	201
Contributions paid	**(13)**	(359)
At end of year	**4,082**	4,020

The principal actuarial assumptions used are as follows:

	2010 %	2009 %
Discount rate	**2.60**	1.85
Expected rate of future salary increases	**3.00-3.50**	0.50-2.00

25 Share capital

Authorised shares of HK$0.1 each	Note	No. of shares	HK$'000
At 31 March 2009 and 2010		8,000,000,000	800,000
Issued and fully paid shares of HK$0.1 each			
At 1 April 2008		1,378,943,145	137,894
Issue of shares upon exercise of share options	(a)	2,310,434	231
At 31 March 2009 and 1 April 2009		1,381,253,579	138,125
Issue of shares upon exercise of share options	(a)	10,058,952	1,006
At 31 March 2010		**1,391,312,531**	**139,131**

Notes:

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

During the year, a total of 10,058,952 (2009: 2,310,434) shares were issued to certain directors and staff members of the Company pursuant to the exercises of share options under the 2002 Share Option Scheme. The proceeds of the issues totalling HK$26,670,000 (2009: HK$3,881,000) including share premium amounted to HK$25,664,000 (2009: HK$3,650,000).

(b) **Share options**

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

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

	No. of share options year ended 31 March 2010	2009
At beginning of the year	**35,536,181**	25,113,214
Granted	**–**	13,500,000
Exercised	**(10,058,952)**	(2,310,434)
Lapsed	**(57,000)**	(766,599)
At the end of the year	**25,420,229**	35,536,181

25 Share capital (continued)

Notes: (continued)

(b) Share options (continued)

The expiry dates and exercise prices of the share options outstanding as at 31 March 2010 were set out as follows:–

Expiry date	Exercise price per share (HK$)	No. of Share Options as at 31 March 2010	2009
2002 Share Option Scheme			
29 October 2013	1.68	**2,658,386**	5,334,672
28 February 2014	2.85	**–**	268,333
2 March 2014	2.78	**–**	775,333
28 June 2014	3.00	**–**	1,000,000
30 November 2014	3.85	**557,666**	953,666
21 December 2014	4.15	**215,333**	215,333
25 May 2016	2.965	**8,488,844**	13,488,844
1 March 2019	2.19	**13,500,000**	13,500,000
		25,420,229	35,536,181

Fair value of share options, measured at the grant dates of the options, are determined using the binomial 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.

26 Reserves

(a) Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Building revaluation reserve HK$'000	Translation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2009	650,079	11,783	17,490	2,919	(17,412)	319,765	984,624
Profit for the year	–	–	–	–	–	381,095	381,095
Depreciation transfer on buildings, net of tax	–	–	–	(445)	–	532	87
Fair value gains on buildings, net of tax	–	–	–	6,108	–	–	6,108
Currency translation differences	–	–	–	–	14,919	–	14,919
Total recognised income for the year ended 31 March 2010	–	–	–	5,663	14,919	381,627	402,209
Employee share option scheme:							
Value of employee services	–	–	4,192	–	–	–	4,192
Proceeds from shares issued upon exercise of options (Note 25(a))	25,664	–	–	–	–	–	25,664
Transfer of reserve upon exercise of options	7,589	–	(7,589)	–	–	–	–
2008/2009 Final and Special dividends paid	–	–	–	–	–	(235,147)	(235,147)
2009/2010 Interim dividend paid	–	–	–	–	–	(41,601)	(41,601)
2009/2010 Special dividend paid	–	–	–	–	–	(83,202)	(83,202)
	33,253	–	(3,397)	–	–	(359,950)	(330,094)
At 31 March 2010	**683,332**	**11,783**	**14,093**	**8,582**	**(2,493)**	**341,442**	**1,056,739**
Representing:							
Reserves							791,917
Proposed dividends							264,822
At 31 March 2010							**1,056,739**

26 Reserves (continued)

(a) Group (continued)

	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Building revaluation reserve HK$'000	Translation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2008	645,101	11,783	16,875	3,364	144	293,332	970,599
Profit for the year	–	–	–	–	–	315,951	315,951
Depreciation transfer on buildings, net of tax	–	–	–	(445)	–	532	87
Currency translation differences	–	–	–	–	(17,556)	–	(17,556)
Total recognised income for the year ended 31 March 2008	–	–	–	(445)	(17,556)	316,483	298,482
Employee share option scheme:							
Value of employee services	–	–	1,943	–	–	–	1,943
Proceeds from shares issued upon exercise of options (Note 25(a))	3,650	–	–	–	–	–	3,650
Transfer of reserve upon exercise of options	1,328	–	(1,328)	–	–	–	–
2007/2008 Final and Special dividends paid	–	–	–	–	–	(207,174)	(207,174)
2008/2009 Interim dividend paid	–	–	–	–	–	(41,438)	(41,438)
2008/2009 Special dividend paid	–	–	–	–	–	(41,438)	(41,438)
	4,978	–	615	–	–	(290,050)	(284,457)
At 31 March 2009	650,079	11,783	17,490	2,919	(17,412)	319,765	984,624

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

26 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 2009	650,079	11,783	17,490	86,885	766,237
Profit for the year	–	–	–	326,296	326,296
Employee share option scheme:					
Value of employee services	–	–	4,192	–	4,192
Proceeds from shares issued upon exercise of options (Note 25(a))	25,664	–	–	–	25,664
Transfer of reserve upon exercise of options	7,589	–	(7,589)	–	–
2008/2009 Final and Special dividends paid	–	–	–	(235,147)	(235,147)
2009/2010 Interim dividend paid	–	–	–	(41,601)	(41,601)
2009/2010 Special dividend paid	–	–	–	(83,202)	(83,202)
	33,253	–	(3,397)	(359,950)	(330,094)
At 31 March 2010	**683,332**	**11,783**	**14,093**	**53,231**	**762,439**
Representing:					
Reserves					497,617
Proposed dividends					264,822
At 31 March 2010					**762,439**

26 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 2008	645,101	11,783	16,875	72,148	745,907
Profit for the year	–	–	–	304,787	304,787
Employee share option scheme:					
Value of employee services	–	–	1,943	–	1,943
Proceeds from shares issued upon exercise of options (Note 25(a))	3,650	–	–	–	3,650
Transfer of reserve upon exercise of options	1,328	–	(1,328)	–	–
2007/2008 Final and Special dividends paid	–	–	–	(207,174)	(207,174)
2008/2009 Interim dividend paid	–	–	–	(41,438)	(41,438)
2008/2009 Special dividend paid	–	–	–	(41,438)	(41,438)
	4,978	–	615	(290,050)	(284,457)
At 31 March 2009	650,079	11,783	17,490	86,885	766,237
Representing:					
Reserves					531,422
Proposed dividends					234,815
At 31 March 2009					766,237

(c) At 31 March 2010, the Company had a distributable reserve of approximately HK$736,563,000 (2009: HK$736,964,000).

27 Consolidated statement of cash flows

Cash generated from operations

	2010 HK$'000	2009 HK$'000
Profit for the year	**381,095**	315,951
Adjustments for:		
– Income tax expense	**83,849**	67,360
– Depreciation of property, plant and equipment	**62,377**	64,468
– Amortisation of leasehold land	**797**	796
– Gain on disposal of property, plant and equipment	**(272)**	(1,338)
– Write-off of property, plant and equipment	**1,473**	2,858
– Share-based payment	**4,192**	1,943
– Interest income	**(6,412)**	(13,196)
– Fair value changes in investment property	**(1,700)**	1,500
Changes in working capital	**525,399**	440,342
– Inventories	**(94,489)**	1,873
– Trade receivables	**(13,309)**	2,985
– Other receivables, deposits and prepayments	**(10,909)**	(1,415)
– Trade and bills payable	**31,437**	(33,983)
– Other payables and accrued charges	**46,694**	2,747
– Retirement benefit obligations	**(82)**	(436)
Cash generated from operations	**484,741**	412,113

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

	2010 HK$'000	2009 HK$'000
Net book amount (Note 14)	**8**	337
Gain on disposal of property, plant and equipment	**272**	1,338
Proceeds from disposal of property, plant and equipment	**280**	1,675

28 Commitments – Group

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

	2010 HK$'000	2009 HK$'000
Contracted but not provided for	**20,016**	5,191
Authorised but not contracted for	**113,668**	61,926
	133,684	67,117

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 2010, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2010 HK$'000	2009 HK$'000
Land and buildings		
Within one year	**420,058**	327,814
In the second to fifth year inclusive	**562,631**	416,563
After the fifth year	**1,392**	15,208
	984,081	759,585

29 Related party transactions

Key management personnel compensation:

	2010 HK$'000	2009 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**31,370**	33,161
Retirement benefit costs	**1,609**	1,651
Share-based payment	**4,192**	1,943
	37,171	36,755

30 Principal subsidiaries

Particulars of the principal subsidiaries at 31 March 2010:

Name	Place of incorporation	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Indirect interest held
Alibaster Management Limited	British Virgin Islands	Trading and retailing of cosmetic and skin care products in Taiwan	Ordinary US$6,880,000	100%
Base Sun Investment Limited	Hong Kong	Property holding	Ordinary HK$100 Deferred HK$2	100%
Cyber Colors Limited	British Virgin Islands	Holding of intellectual property rights in Hong Kong	Ordinary US$1	100%
Docile Company Limited	British Virgin Islands	Holding of intellectual property rights in Hong Kong	Ordinary US$2	100%
Elegance Trading (Shanghai) Company Limited (Note 1)	PRC	Wholesaling of cosmetic and skin care products	HK$1,500,000	100%
Gig Limited	Samoa	Holding of intellectual property rights 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%
Hadatuko Limited	British Virgin Islands	Holding of intellectual property rights in Hong Kong	Ordinary US$1	100%
Lea Limited	Samoa	Holding of intellectual property rights 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%

30 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2010: (continued)

Name	Place of incorporation	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Indirect interest held
Sa Sa dot Com Limited	Hong Kong	E-commerce	Ordinary HK$1,000,000	100%
Sa Sa Investment Limited	Hong Kong	Property holding	Ordinary HK$100 Deferred HK$2	100%
Sa Sa Property Limited	Hong Kong	Property holding	Ordinary HK$100	100%
Sa Sa Cosmetic (China) Company Limited (Note 2)	PRC	Trading and retailing of cosmetic and skin care products	HK$75,000,000	100%
SkinPeptoxyl Limited	British Virgin Islands	Holding of intellectual property rights in Hong Kong	Ordinary US$1	100%
Swiss Rituel Limited	British Virgin Islands	Holding of intellectual property rights in Hong Kong	Ordinary US$1	100%
Suisse Programme Limited	Gibraltar	Holding of intellectual property rights in Hong Kong	Ordinary Gibraltar £100	100%
Vance Trading Limited	Hong Kong	Property holding	Ordinary HK$400,100 Deferred HK$1,600,000	100%

Notes:

(1) Elegance Trading (Shanghai) Company Limited is a wholly foreign owned enterprise for an operating period of 30 years up to 4 December 2038. As at 31 March 2010, its paid up capital was HK$1,500,000.

(2) Sa Sa Cosmetic (China) Company Limited is a wholly foreign owned enterprise for an operating period of 30 years up to 5 February 2035. As at 31 March 2010, its paid up capital was HK$75,000,000.

Glossary

AGM	Annual general meetings of the Company
Articles of Association	Articles of Association of the Company
Board	Board of directors of the Company
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CG Code	Code on Corporate Governance Practices, Appendix 14 of the Listing Rules
Code Provision(s)	Code Provisions in the CG Code
Company, Sa Sa, Sa Sa Group, Group, we or us	Sa Sa International Holdings Limited, and, except where the context indicates otherwise, its subsidiaries
Director(s)	Director(s) of the Company, including all executive, non-executive and independent non-executive directors
ERM	Enterprise Risk Management
Hong Kong, HK or HKSAR	The Hong Kong Special Administrative Region of the People's Republic of China
INED(s)	Independent Non-executive Director(s) of the Company
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Macau	The Macau Special Administrative Region of the People's Republic of China
Mainland or Mainland China	The People's Republic of China excluding Hong Kong, Macau and Taiwan
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules
NED(s)	Non-executive Director(s) of the Company
PRC	The People's Republic of China
PwC, external auditor or independent auditor	PricewaterhouseCoopers
SFO	Securities and Futures Ordinance, Cap. 571
Share(s)	Share(s) of the Company
Shareholder(s)	Shareholder(s) of the Company
Share Option Scheme(s)	Share option schemes adopted by the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited

Financial Calendar

2009/10 Interim Results Announcement	27 November 2009
Payment of 2009/10 Interim and Special Dividends	22 December 2009
2009/10 Annual Results Announcement	24 June 2010
Closure of Register of Members (both days inclusive)	23-26 August 2010
Annual General Meeting	26 August 2010
Proposed Payment of 2009/10 Final and Special Dividends	31 August 2010

This 2009/10 annual report ("Annual Report") is available in both English and Chinese, and in both printed and electronic form. Shareholders who (i) have received either the English or the Chinese version of the Annual Report and wish to have a copy in the language different from that has been received; or (ii) wish to change the choice of means of receipt or language of the Corporate Communications[1] of the Company in future, may request to do so by completing and returning the Change Request Form which may be downloaded from the Company's website by post or by hand to the Company c/o its branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong ("Branch Share Registrar").

The Annual Report and other Corporate Communications are now available on the Company's website at www.sasa.com and the Hong Kong Exchanges and Clearing Limited's website at www.hkexnews.hk. Shareholders who access the Annual Report on the Company's website and have difficulty in receiving or gaining access to the same for any reason, the Company will promptly upon receiving the Change Request Form send the printed version of the requested document to the Shareholders free of charge.

As an environment-conscious corporate citizen, the Company encourages Shareholders to access the Corporate Communications via the Company's website. The Company's website presents a user-friendly interface in English and Chinese, and all Corporate Communications are easily accessible on the "Corporate Information" section following their releases.

[1] *Corporate Communications refer to any document issued or to be issued by the Company for the information or action of holders of securities of the Company, including but not limited to annual and interim report, summary financial report (where applicable), notice of meeting, listing document, circular and proxy form.*

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Sa Sa International Holdings Limited

14th Floor, Block B, MP Industrial Centre
18 Ka Yip Street, Chai Wan, Hong Kong
Tel: (852) 2889 2331
Fax: (852) 2898 9717
Website: www.sasa.com

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