Sasa

making life beautiful

Sa Sa International Holdings Limited

Stock Code: 178

Annual Report 2010/11

Spreading Beauty and Radiance

Sa Sa spreads beauty around Asia like the long train of an exquisite haute couture dress, sparkling with countless products that add to the fashionable woman's image and radiance, her confidence and sense of sophistication at every stage of her life. Whether it's her first date or student prom, the tender celebration of the birth of her children, the excitement of each new step up the career ladder, or simply the joy of relaxing with friends and family, Sa Sa enriches her life and allows her to shine.

Just as our customers blossom, so will the business of Sa Sa continue to flourish in Asia and beyond, both now and in the future, nourished by the growing demand for beauty products and by the glowing satisfaction of those who shop with us.

Contents

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 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 3,400 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 2010, 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 differentiates itself:

Retail – The Group sells over 400 brands, covering 15,000 skin care, fragrance, make-up, hair care and body care products, health and beauty supplements including own-brands and exclusive products. Its extensive regional retail network currently comprises of over 181 "Sasa" multi-brand stores, as well as a La Colline specialty store, a Suisse Programme specialty store and 22 Suisse Programme counters. Over 16 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 100 countries.

Brand Management – In addition to selling its own-brand products, the Group also acts as the sole agent for many international cosmetic brands in Asia. Sa Sa has been appointed by a leading global prestige brand, Elizabeth Arden, as its sole agent in Hong Kong and Macau since October 2002. The Group currently manages over 100 exclusive major beauty brands and is responsible for their brand building, promotion and distribution. This business accounts for over 42% of Sa Sa's total retail turnover.

Corporate Information

Board of Directors

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 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 Assessment 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 2011 : HK$3.97
Market capitalisation at 31 March 2011 : HK$11,126 million

Investor Relations

E-mail address: ir@sasa.com

Website

www.sasa.com

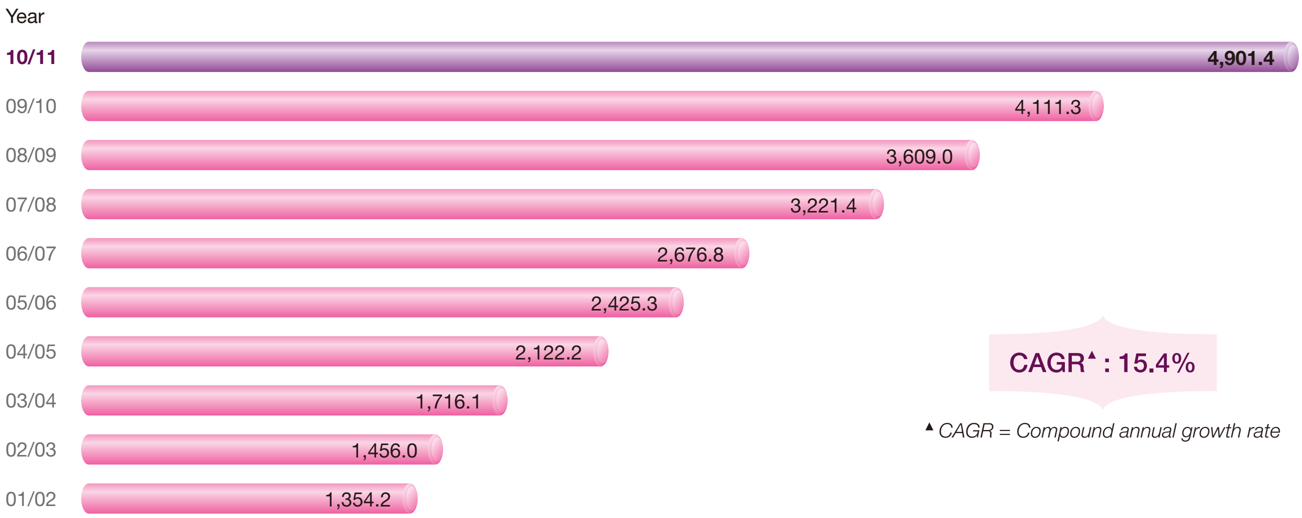
Group Financial and Operation Highlights

Retail & Wholesale Business	2010/11	2009/10	+/- % Change
Turnover (HK$ million)	**4,901.4**	4,111.3	+19.2%
Operating profit (HK$ million)	**608.3**	459.3#	+32.4%
Profit for the year (HK$ million)	**509.3**	381.9#	+33.4%
Earnings per share – basic (HK cents)	**18.2 ***	13.8*	+31.9%
Total annual dividend (included special dividend) per share (HK cents)	**14.0^**	14.0^	–
Return on equity	**37.6%**	32.2%#	+5.4%
Gross profit margin	**45.1%**	44.1%	+1.0%
			+/- Change
Net cash & bank balances (HK$ million)	**618.4**	646.3	-27.9
Inventory turnover (days)	**109**	90	+19

^ Included 10.0 HK cents special dividend
** Adjusted for the 1:1 Bonus Issue*
 # As restated

Turnover - Retail & Wholesale Business

(HK$ million)



CAGR▲ : 15.4%

▲ CAGR = Compound annual growth rate

Group Turnover - Geographical Analysis

% to Group Turnover	2010/11	2009/10
Hong Kong & Macau	**80.0%**	80.0%
Mainland China	**3.0%**	2.4%
Singapore	**4.2%**	3.9%
Malaysia	**4.5%**	4.2%
Taiwan	**3.5%**	3.6%
sasa.com	**4.8%**	5.9%
	100%	100%

Total : HK$ 4,901.4 million

Retail Turnover Contributed by Brand Management Business

42.1%
Brand Management
(2009/10: 40.1%)

Group Retail Network in Asia

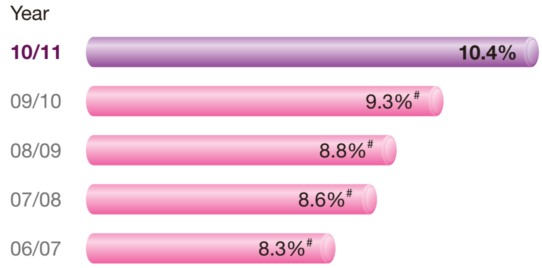
No. of Retail Outlets

	Multi-brand "Sasa" Stores	Single-brand Stores/Counters
Hong Kong & Macau	78	2
Mainland China	26	21
Taiwan	20	-
Singapore	38	-
Malaysia	19	1
Total	**181**	**24**

City	**Multi-brand "Sasa" Stores**	**Single-brand Stores/Counters**
Northern China		
Beijing	10	5
Tianjin	1	2
Qingdao	1	-
Shenyang	-	2
Anshan	-	1
Eastern China		
Shanghai	8	2
Ningbo	1	-
Shaoxing	1	-
Suzhou	1	-
Hangzhou	-	1
Nanjing	-	1
Central China		
Wuhan	2	2
Yichang	1	-
Changsha	-	2
Western China		
Chengdu	-	3
Total	**26**	**21**

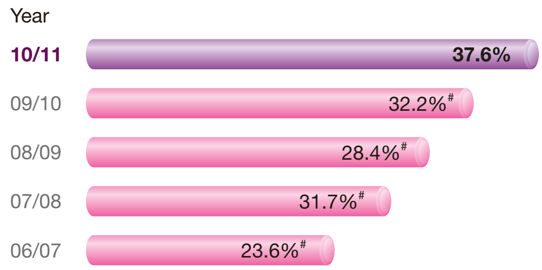
As at 31 March 2011

Net Profit Margin
(Retail & Wholesale Business)



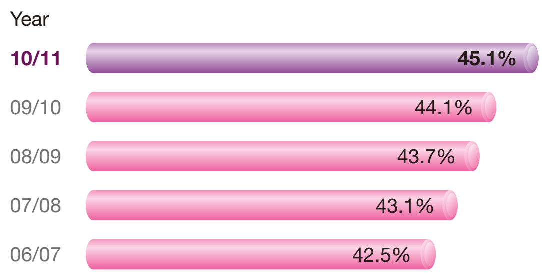
As restated

Return on Equity
(Retail & Wholesale Business)

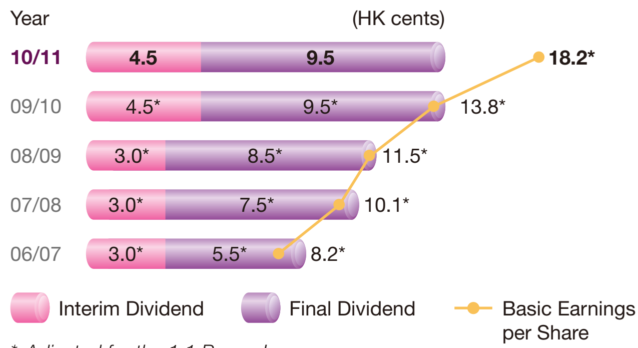


As restated

Gross Profit Margin
(Retail & Wholesale Business)

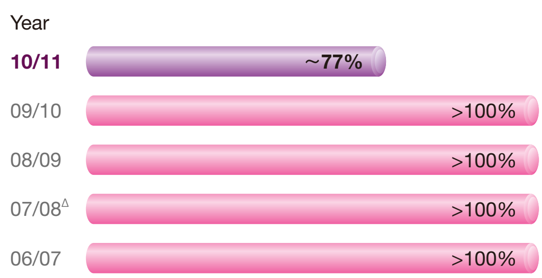


Basic Earnings per Share
(Retail & Wholesale Business) & Dividend per Share



* *Adjusted for the 1:1 Bonus Issue*

Dividend Payout Ratio



Δ *Excluded disposal gain of discontinued beauty service business*


sasatinnie
Precious Jewelry
Cream
SPF 30 PA ++
Pearl
Coral
Amethyst
Tourmaline
sasatinnie


BB
Cream
SAKURA
fragrance
SPF35 PA+
Original formula
for all skin types
Natural glow hydrating
makeup base

Awards and Recognition

Retail Brand Recognition

Retail Asia-Pacific Top 500

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 2010.

Good Credibility Accreditation 2009-11

Sa Sa was presented with the Most Favourable Enterprise with Good Credibility Accreditation 2009-11 by the Reputation Institute (China), 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.

Most Popular Hong Kong Merchants Campaign 2010

Sa Sa was named the Most Popular Cosmetics Specialty Store in the "Most Popular Hong Kong Merchants Campaign 2010" jointly organised by Unionpay and Southern Television (TVSCN).

Hong Kong Corporate Branding Awards 2010-11

Sa Sa received the Branding Excellence – Silver Award in the "Hong Kong Corporate Branding Awards 2010-11" jointly organised by the Department of Marketing of the Chinese University of Hong Kong and Ming Pao newspaper. Sa Sa was also the winner for the Grand Prize of the Personal Care Retail Category – Judging Panel for the fourth successive year.

High-Flyers Awards 2010

Sa Sa was presented with the Retail Chain Category Award in the "High-Flyers Awards 2010" of Hong Kong Business magazine for the sixth time.

Elite Award 2010

Sa Sa was awarded the Elite One-Stop Retail Store in the "Elite Award 2010" of Ming Pao Weekly magazine.

TVB Weekly Outstanding Awards 2010

Sa Sa was presented with the Outstanding Award in the "TVB Weekly Outstanding Awards 2010".

Global Netrepreneur Award 2010

In the "Global Netrepreneur Award 2010" jointly organised by the Alibaba Group, China Electronic Commerce Association and Hangzhou Municipal Government of the PRC, sasa.com was included among the Top 30 Best Global Online B2C Retailers 2010 for its outstanding performance in innovation, credibility, social responsibility and globalisation.

Top 10 Cosmetics Online Shop Award 2010

sasa.com was among the Top 10 Best Cosmetics Online Shops and received the Best Quality award in the "Top 10 Cosmetics Online Shop Award 2010" organised by ifeng.com, a member of Phoenix TV.

Most Favourable Brands of the Nation Campaign

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

香港驕傲 Proud 企業品牌選舉2010 – 11

Service Excellence

Service and Courtesy Award 2010

A Sa Sa store supervisor received the Service and Courtesy Award – Supervisory Level in the Beauty Products / Cosmetics Category organised by the Hong Kong Retail Management Association in 2010 for the fourth successive year.

Mystery Shoppers Programme 2010

La Colline shop was awarded the Service Category Leader of the Beauty Products/ Cosmetics Category for the sixth consecutive year in the "2010 Mystery Shoppers Programme" organised by the Hong Kong Retail Management Association.

Hong Kong Service Awards 2011

In Eastweek magazine's "Hong Kong Service Awards 2011", honouring merchants that contribute to the local economy and quality of living, Sa Sa received the Free Walkers' Choice Award for the third time.

QTS Merchant Awards 2011

Sa Sa was among the top ten merchants in an online voting campaign in Mainland China jointly organized by Quality Tourism Services Association ("QTSA"), the Hong Kong Tourism Board ("HKTB") and Hunan TV and received the Most Popular QTS Merchant Award. Sa Sa was also presented with the 10-year QTS Merchant Recognition by the HKTB in the "QTS Merchant Awards 2011", in acknowledgement of Sa Sa's accreditation by the QTS Scheme for 11 consecutive years.

La Colline shop received the Outstanding QTS Merchant – Silver Award in the Specialty Stores Category in the "QTS Merchant Awards 2011" organised by the Hong Kong Tourism Board, recognising its sustained outstanding performance in the annual QTS Scheme Assessment for five consecutive years from 2006 to 2010. La Colline was also presented with 10-year QTS Merchant Recognition, in acknowledgement of its accreditation by the QTS Scheme for 10 consecutive years.

Awards and Recognition

Corporate Branding & Management

Asiamoney Best Managed Companies 2010

Sa Sa was named Overall Best Managed Company in Hong Kong – Mid Cap at the "Asiamoney Best Managed Companies 2010" awards.

Asia's Best Companies Poll 2010

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

Vision Awards Annual Report Competition 2009

Sa Sa's 2008/09 Annual Report received the Platinum award for the Retailing (Food and Specialty) category (for companies with annual turnover up to USD 1 billion) in the "Vision Awards Annual Report Competition 2009" organised by the League of American Communications Professionals (LACP). Sa Sa was among the top 71 among over 4,000 entries from over 25 countries.

ERB Manpower Developer Award Scheme

In 2011, Sa Sa was accredited as a Manpower Developer in the "ERB Manpower Developer Award Scheme" by the Employees Retraining Board, in recognition of the Group's outstanding performance in manpower training and development.

CIO 100 Index 2011

Sa Sa was included in the "CIO 100 Index 2011" – one of the top 100 companies in Asia that made the best use of information technology, as judged by CIO Asia magazine.

Caring Company 2010/11

Sa Sa was awarded the 5 Years Plus Caring Company logo in 2010/11 by the Hong Kong Council of Social Service.

Top Donors of the Community Chest 2010/11

Sa Sa was ranked the fourth among the Top Donors of the Community Chest 2010/11, in recognition of the Group's contribution to the fund-raising programmes of the Community Chest.

LACP TOP 100 ANNUAL REPORTS OF 2009

MANPOWER DEVELOPER Awarded by ERB

5 years+ caringcompany

Exclusive Distributorship

ALVIERO MARTINI
BERGMAN
Blumarine
BRITNEY SPEARS
byblos
Cabotine
CAUDALIE
CELLEX-C
COLLISTAR
CYBER COLORS
Disney
DSQUARED2 PERFUMES
Dr.G
Dr.Jart+
Ed Hardy
Elizabeth Arden
Ferrari
Gianfranco FERRÉ
GUESS
肌っ子
ICEBERG
IN ESSENCE aromatherapy
INSTITUT ESTHEDERM PARIS
JAGUAR FRAGRANCES
La Colline
LA PERLA
Masaki/Masaki
Méthode SWISS
NATIO
NUXE
PAL ZILERI fragrances
PARIS HILTON
PERRY ELLIS
POLICE
PUPA
redearth
sasatinnie
Salvatore Ferragamo
SERGIO TACCHINI
SkinPeptoxyl
Stendhal
SUISSE PROGRAMME
SWISS Rituel
TALIKA
TOUS
TRANSVITAL
UNITED COLORS OF BENETTON.
VICTORINOX SWISS ARMY

Sa Sa's exclusive products achieved a number of awards in 2010/11:

Cosmopolitan Best of the Best Beauty Awards 2010

- Collistar's Intensive Anticellulite Serum received the Grand Prize in the "Best Slimming Product" category.
- Suisse Programme's Cellular Boosting Solution was the 2nd runner-up in the "Best Booster/Pre-Treatment Product" category.
- Méthode Swiss's Thermal Oxygen Overnight Eye Mask was the 2nd runner-up in the "Best Eye Mask" category.

MORE Magazine's 9th Beauty Products Contest

- La Colline's Cell Recharge Cellular Re-Energizing Treatment was the 1st runner-up in the "My Favourite Beauty Treatment Product" category.

Bloggers' comments on Suisse Programme's Cellular Boosting Solution

Audrey N Ding from Perth, Australia

I would definitely recommend this product for dry skin people. Whitening product will always make your skin dry. But if you use this product, it helps!

Joasa from Saskatoon, Canada

I only used it for a week so far. It's pretty good. My skin feels smoother…the overall texture is pretty good, not greasy, water based.

Milestones

1978

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

1990

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

1992

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

1997

- Sa Sa listed on the Stock Exchange of Hong Kong in June with an oversubscription rate of more than 500 times.

- Opening of the first store in Taiwan.
- Total number of shops increase to 11 in Hong Kong.
- 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 stores in Wuhan, and the first store in Suzhou, China.
- Opening of the first Suisse Programme specialty store in Hong Kong.

2010

- "Sasa" store network expanded into Tianjin, Yichang, Ningbo, and Shaoxing, China.

2011

- Opening of the first Qingdao and Shenyang "Sasa" store in Mainland China.


Blumarine
BELLISSIMA
DYNASTIE
MARINA DE BOUR

Pretty Hot
Elizabeth Arden
GUESS
SEDUCTIVE
FERRE
TOUS
dream
Salvatore Ferragamo
VICTORINOX
SWISS
unlimited
Fleur de Cristal
WOOD

Chairman's Statement

I am pleased to report that the Group delivered a strong performance in the fiscal year 2010/11, further strengthening our position as the leading cosmetics retailing operation in Asia. The Group's operation in Hong Kong and Macau, Mainland China, Taiwan, Malaysia and Singapore saw increased turnover. These positive results reflected the broad recovery of the economies in Asia, powered by the robust growth of Mainland China, which in turn benefited the retail environment and consumer sentiment throughout the region. The Group's businesses in Singapore, Malaysia and Taiwan performed well, as did our business in Hong Kong and Macau on the back of a strong economy. The retail market in Mainland China also saw solid progress due to ongoing growth drivers such as increasing disposable income, rapid urbanisation, a growing middle class with sophisticated aspirations, and Government policies that stimulated consumer sentiment and personal spending. The Group recorded solid growth and added nine new "Sasa" stores in Mainland China. Once more, our brand management business made significant progress.

By building on our traditional strengths, leveraging our dynamic brand reputation and growing recognition, we will continue to add chapter after chapter to our growth story throughout the region.

Dr Simon Kwok, *JP*
Chairman & CEO

With the exception of our online business, the overall performance of the Group was even stronger in the second half than in the first half of the fiscal year. This was particularly true of Hong Kong and Macau market, where spending by both local consumers and Mainland visitors on our products grew significantly in the second half. In Mainland China, our second half performance improved due to the Group's strategic measures implemented in the first half of the year, with our store expansion plan accelerating and satisfactory results being recorded by the new stores that opened in the second half. For the full fiscal year 2010/11, the Group's turnover rose 19.2% to HK$4,901.4 million while profit increased by 33.4% to HK$509.3 million.

In addition to the interim dividend of 1.5* HK cents and a special dividend of 3.0* HK cents per share, the Board of Directors proposed a final dividend of 2.5 HK cents per share and a special dividend of 7.0 HK cents per share. Subject to shareholders' approval, the dividends are payable on or around Monday, 29 August 2011 to those who are registered as shareholders as at 25 August 2011. Total annual dividend for the fiscal year is 14.0 HK cents per share.

** Adjusted for the 1:1 Bonus Issue*

Strong Growth Story

We retain a cautiously optimistic view of the future prospects of our businesses in the coming year and beyond. There is little doubt that the economy of Mainland China will continue to outmatch the performance of other world economies and give substantial support to local consumer sentiment and the retail environment on the Mainland, in Hong Kong and Macau, and in our overseas markets. Regional growth is likely to contribute strongly to the Group's further improved performance in Singapore, Malaysia and Taiwan, while in Hong Kong and Macau, the spending of Mainland tourists on cosmetics and perfumery maintains its steady upward path.

According to a survey conducted by Nielsen, the global consumer information company, in the fourth quarter of 2010, cosmetics and skincare products ranked top in the list of key actual purchased product categories of the Mainland tourists in Hong Kong. This trend is likely to continue in the coming year, benefiting Sa Sa with our top-of-mind brand positioning among Mainland visitors. At the same time Sa Sa's growth story will be

supported by the further integration of Hong Kong into Southern China through strengthened infrastructure and trading links, which will stimulate and support more tourist traffic to Hong Kong and Macau. Although high rental pressures in the region, particularly in Hong Kong, will continue and intensify, we believe these will be well managed by the continuing sales growth trend.

For our strategy in Mainland China, our priority is to accelerate our network expansion and to continue our long-term strategic plan to develop five "clusters" of stores, with an independent operational team for each growth area. For the two existing clusters of Northern China and Eastern China, we will continue to add stores in the cities where we already have a presence and expand into new cities. At the same time, we are aiming to start building the new cluster in Central China. We will allocate additional resources to support the network expansion from the current nine cities to more than 15 cities in fiscal year 2011/12, an investment that will require time to make a return.

Pathway to the Future

As the Sa Sa Group moves onwards and upwards, we aim to seek new growth opportunities by leveraging on our strong financial foundation, extensive network, outstanding track record and leading industry status. We will continue to build on the diversification strategies we have already embarked on in terms of developing distribution formats such as multi-brand "Sasa" stores and single-brand counters/stores, extending our product portfolios, and broadening our appeal to more customer segments.

In order to support turnover growth, we will strengthen our brand building in the region with ever more effective and targeted marketing campaigns and events. We will also allocate more resources to support the expansion in the region, in particular Mainland China, while sharpening our operational efficiency through such measures as enhancing our overall management and improving monitoring; further upgrading of our supply chain management, logistics and procurement processes; and increasing the accountability of buyers to deliver more effective inventory management.

In terms of brand management, we aim to focus more on improving product development, introducing more frequent and effective new product launches, expanding the product categories and concepts, and creating a more pronounced marketing impact. We will also continue to expand our network of suppliers.

Sa Sa has a long track record of sustained growth and market resilience. This record continues to extend from year to year, largely due to our highly professional management, strong financial platform, prudent cost controls and forward-looking strategies. In this context, it was gratifying to receive a number of local and international recognitions in the past year for the excellence of our corporate governance. We were named the "Overall Best Managed Company in Hong Kong – Medium Cap" at the Asiamoney Best Managed Companies 2010 Awards, "Best Mid Cap – Hong Kong" in the Asia's Best Companies Poll 2010 conducted by *FinanceAsia* magazine, and one of the top 100 companies making the best use of information technology in Asia in a list compiled by *CIO Asia* magazine. Sa Sa's 2008/09 Annual Report also received a "Platinum Award in Retailing – Food and Specialty Category" and was included in the Top 100 Annual Reports of the year at the 2009 Vision Awards Annual Report Competition organised by the League of American Communications Professionals.

Conclusion

Our achievements in corporate governance, in the generation of sustainable growth and in enhancing our brand recognition throughout the region would not be possible without the loyalty, commitment and forward thinking of Sa Sa's employees and management. I would therefore like to extend my gratitude to all of them for supporting Sa Sa's ongoing expansion and steadily growing reputation over the past year. I would also like to express my thanks to all our shareholders for their continued confidence in Sa Sa's vision and strategies.

I strongly believe that by building on our traditional strengths, leveraging our dynamic brand reputation and growing recognition, we will continue to add chapter after chapter to our growth story throughout the region. In the same spirit, I am convinced that Sa Sa International Group will reward the loyalty of both our employees and shareholders with growing shareholder value in the years to come.

Dr Simon Kwok, *JP*
Chairman and Chief Executive Officer
Hong Kong, 16 June 2011


Ex Volume
CYBER COLORS
Ex Volume
CYBER COLORS
CYBER COLORS
GEMSTONE
CYBER COLORS
CYBER COLORS


CYBER COLORS
GEMSTONE
BRIGHTENSE
Intensive Moisture Optimizer

Management Discussion & Analysis

For the year ended 31 March 2011, the Group's turnover amounted to HK$4,901.4 million, representing an increase of 19.2% over the HK$4,111.3 million recorded last year. Overall, the Group's performance benefited from the continuing improvement in the retail environment and the economy of the region. The Group's leading market position, the ongoing success of our House Brands (including our own-branded products, sole agent products, and products sold exclusively in our stores), our well-targeted business strategies and proven execution ability, enabled the Group to deliver a strong performance in the fiscal year 2010/11.

The Group's House Brands registered sales growth of 24.5%, with its sales mix increased to 42.1% from 40.1% in the previous fiscal year. The Group's profit for the year was HK$509.3 million, a rise of 33.4% over the HK$381.9 million recorded last fiscal year. Basic earnings per share were 18.2* HK cents, as compared to 13.8* HK cents in the previous fiscal year. The overall gross profit margin of the Group for the full fiscal year increased to 45.1% from 44.1% last year. The net margin increased from 9.3% to 10.4%. Our inventory turnover days were 109 days as at 31 March 2011.

The Group added 32 outlets during the year and increased the number of stores and counters in the region to 205, including 181 stores and 24 counters.

Market Overview

Powered by the robust growth of Mainland China, which recorded GDP growth of 10.3% in 2010, the economies in Asia continued to broadly recover in fiscal year 2010/11. The Group's businesses in Singapore, Malaysia and Taiwan markets benefited from this solid regional recovery. The Hong Kong economy also performed strongly during the fiscal year, stimulated by domestic demand and inbound tourism, achieving GDP growth of 7.0% in 2010. The tourism traffic, as well as the wealth effect deriving from the recovery of the stock market and the strength of the property market helped strengthen consumer sentiment in Hong Kong and Macau. Total retail sales in Hong Kong rose some 18.3% year-on-year in 2010, and 21.0% for the period from January to March 2011.

The retail market in China in 2010 saw solid progress due to ongoing growth drivers such as increasing disposable income, rapid urbanisation, a growing middle class with sophisticated

* *Adjusted for the 1:1 Bonus Issue*

aspirations, and Government policies that stimulated consumer sentiment and spending behaviour.

In Hong Kong, inbound tourism continued to gain importance due to increased tourist spending on shopping. Total tourist arrivals in Hong Kong surged 21.8% year-on-year in 2010, with overall spending on shopping by overnight visitors rising by 34.3%. Mainland China continued to be the largest visitor source market of Hong Kong with 22.7 million arrivals at an annual growth rate of 26.3%, reflecting a strong desire to travel on the part of Chinese citizens. The strong growth momentum of Mainland tourist arrivals continues in early 2011.

According to a survey conducted by Nielsen in the fourth quarter of 2010, cosmetics and skincare products ranked top in the list of key purchased product categories of Mainland visitors in Hong Kong. These Chinese visitors planned to spend HK$12,000 on average during their stay. Inbound tourism is expected to remain a vibrant contributor to the local economy, with the strength of the Renminbi likely to further boost the spending of Mainland tourists in Hong Kong.

Retail and Wholesale Business

Hong Kong and Macau

Sa Sa continued to maintain its leading-market position in Hong Kong and Macau, which remained the largest contributor to the Group's turnover and profits. Turnover increased by 19.3% from HK$3,288.1 million to HK$3,922.6 million and same store growth rose by 9.3%. The Group maintained strong sales growth momentum throughout fiscal year 2010/11, despite the second half base being high in comparison to the same period of the previous year. With a relatively low base in fiscal year 2009/10, robust sales growth of 17.5% was recorded in the first half of the fiscal year 2010/11. This momentum continued and strengthened in the second half of the year, with year-on-year growth of 20.6%. The strong sales growth in the second half of the year led to lower rental costs, expressed as a percentage of sales.

Such a buoyant performance was driven by increased revenue from local residents, which in turn was underpinned by low unemployment, improving personal income and the thriving property market in Hong Kong, as well as by Sa Sa's

continuing position as the top-of-mind cosmetics retailer among Mainland tourists. Turnover growth was stimulated by an increase both in the number of transactions and in the average value per transaction.

The Group's capability to introduce more new products aimed at a wider range of customer segments helped drive the sales increase of House Brand products. Strong new House Brand product launches and successful marketing led to an improvement in its sales mix, and to an enhanced gross profit margin. New brands sourced locally also helped drive traffic.

During 2010, a new store design was launched as part of the Group's continuous efforts to enhance our customers' shopping experience and to better showcase the brands we carry. The new store design allows for easier browsing and more interaction between sales staff and customers. The design creates an invigorated brand identity and image for the beauty products we offer while providing a more user friendly and comfortable shopping environment.

In terms of management in Hong Kong and Macau, the Group introduced broader performance accountability and more effective purchasing in early 2011 through an improved product category management structure. The enhanced inventory strategy and changes in product mix resulted in better and broader product offerings, as well as an increase in same store sales, a rise in inventory levels and an overall improvement in performance.

Eight new "Sasa" stores were added during the period. As at 31 March 2011, there were 78 "Sasa" stores (including nine in Macau), one Suisse Programme specialty store and one La Colline specialty store.

Mainland China

In fiscal year 2010/11, the Group's turnover in Mainland China increased by 49.9% to HK$145.5 million, while same store sales decreased by 1.7%. The loss was contained at an acceptable level of RMB19.3 million (HK$22.5 million), as compared to the previous year's loss of RMB16.4 million (HK$18.6 million). We added nine new "Sasa" stores and three new Suisse Programme counters during the year.

Overall, although the Group is still in the investment stage, our performance in Mainland China continued to improve. The negative same store growth of the first half of the fiscal year was mainly due to the restructuring of the management team and substantial changes in inventory management and operating strategies that affected our short term performance. However, improvements were already tangible by the second half of the year when the majority of new stores that opened delivered a better performance than our older stores and provided an enhanced contribution. The Group achieved double-digit turnover growth and comparable store growth for the department store counter network in Mainland China. In a similar pattern to the previous fiscal year, the Group achieved improved performance at the operating level in this market.

Further signs of improvement in the second half of fiscal 2010/11 were evident in our enhanced product portfolio, with more established beauty brands undertaking to participate in our stores, and increased support from landlords in our drive to choose store locations in new and existing shopping malls. The performance and pay of front line staff improved, which in turn attracted more retail talents.

A broad-based reform of our Mainland China strategy is underway. This reform includes a series of measures to build a stronger platform and increase our operational efficiency to provide stronger support for more rapid expansion on the Mainland. We aim to adopt more proactive strategies and measures in store location selection and in product strategies, including extending the product range and increasing the number of new products, enhancing inventory management, allocating improved expertise and more resources to the management team, and strengthening the back end team to support and manage a more extensive retail store network.

In the second half of fiscal year 2010/11, we rolled out a new retail information technology ("IT") system to provide scalability and to prepare for future expansion on the Mainland. The new system brings together the functions of point-of-sale, merchandising, auto replenishment, customer relationship management and business intelligence. The system operates in a real-time, centralised environment. In addition, we have established two separate internal audit teams, based in our Shanghai and Beijing offices respectively, to monitor the operation of our two existing clusters of stores. As at 31 March 2011, there were 26 "Sasa" stores and 21 beauty counters under Suisse Programme in the Mainland market.

Singapore and Malaysia

During the year, turnover for the Singapore and Malaysia market grew by 26.4% to HK$427.4 million. Both Singapore's and Malaysia's operations achieved steady turnover and profit growth.

Although the performance of the retail market in Singapore was uneven, Sa Sa's operation in the Lion City achieved strong profit growth due to the successful adaptation of our marketing and product mix strategy to local market conditions. Turnover rose 27.2% to HK$206.4 million. Same store sales registered an increase of 5.2% due to sales growth achieved from both traditional shopping locations and suburban malls.

The Group's improved performance in Singapore was due to more effective marketing efforts. These included TV programme sponsorship and collaboration with various media. We broadened our product range and added new product categories that helped increase store traffic, drive the number of transactions, and expand our customer base. More effective and more frequent new product launches were undertaken, and we improved the management of our overall product offerings. Sales training was also strengthened to increase the sales productivity of frontline staff.

These initiatives contributed to an improved sales mix while enhancing the Group's sales growth and gross profit margin. In recognition of the quality of our sales training, the Excellent Service Award (EXSA), a national award organised by the Singapore Government and managed by seven industry leading professional bodies, was awarded to three of our staff. Two new stores were added to our network. As at 31 March 2011, there were 20 "Sasa" stores in Singapore.

After years of impressive results, the Malaysian market has now entered into a stage of steady and continuing growth. Established as a clear leader in the Malaysian market, Sa Sa has consistently delivered solid results in this market. Fiscal year 2010/11 was no exception. Turnover rose 25.6% to HK$221.0 million, and same store growth increased by 4.6%. Due to the steady improvement in product launches, product mix and product management, profit continued to improve this year.

These results were due to the outstanding performance of our House Brand products, particularly new products, as well as strengthened relationships with suppliers and the broadening of our product offerings to increase our appeal to different customer

segments. We expanded the number of beauty brands with sole agent rights. Above all, we continued to improve our market status and consumer recognition by continuous efforts in brand building of “Sa Sa” and its exclusive brands, and by strengthened marketing activities.

During the fiscal year, Sa Sa sponsored various large-scale joint public relations and marketing events with influential media in Malaysia, as well as enhanced brand building and advertising initiatives for own-brands. We broadened the reach of marketing campaigns by using more channels and adding new elements, such as social networks and high-profile social events. We launched more coordinated and integrated marketing campaigns for new products, and we targeted our marketing efforts towards broadening our customer base and increasing penetration of new market segments. Eight new stores were added during the year, bringing the total number of “Sasa” stores in Malaysia to 38 as at 31 March 2011.

Taiwan

Turnover of the Group’s Taiwan business increased by 17.9% during the fiscal year to HK$173.3 million. Same store growth rose 2.0%. Taiwan’s improving economy and consumer sentiment, in particular since the second quarter of this fiscal year, benefited the retail market and we recorded a positive turnaround on our profit contribution to the Group.

Our performance also improved due to an enhanced sales mix of House Brands, in particular attractive and quality new own-branded products, which helped increase traffic, secure repeat transactions and drive the rise in gross profit margin. We continued to adopt cautious cost controls. We relocated and expanded our warehouse facilities to support our expanding operations. Overall, we maintained and built on our position as the dominant retailer in fragrance in Taiwan, and gained further market share.

Four “Sasa” stores were opened during the year. As at 31 March 2011, there were 19 “Sasa” stores and one Suisse Programme counter in Taiwan.

E-commerce - sasa.com

Turnover for sasa.com amounted to HK$232.6 million, a decrease of 3.5% over the previous fiscal year. In general, a more diversified and balanced market mix was created.

Operationally, it was a year of contrasting halves. In the first half of the year, sasa.com recorded sales growth of 22.2% and we obtained the right to reproduce the content of the TV programme and magazine of W Queen (女人我最大) of Taiwan, thereby enriching the content of our website. In the second half, our performance was impacted by two factors: the new customs duty regime effective in Mainland China from September 2010, and teething problems associated with the initial stages of subcontracting our logistics function. The operations were substantially normalised in March 2011, and dispatches are now operating more effectively than before. While there are still areas that require improvements, our performance started to improve and sales in March 2011 were close to the corresponding period of the previous fiscal year.

The Group has drawn up a strategic plan to mitigate the effects of the new regulations introduced by the Mainland's Customs. The plan aims to tap the potential of the online market within China through such initiatives as building a dedicated team to develop local online business in Mainland China, strengthening back end support including logistics to facilitate the future growth of local online business, further developing business on Sa Sa's official store on the Taobao site (the most popular shopping website in China), partnering with more online shopping sites in Mainland China, and building our own site to provide local online shopping services to the Mainland China market. We are also improving our sasa.com user interface to enhance the overall online shopping experience.

In recognition of the quality of our online shopping services, during the year we received the accolade of "Top 30 Best Global Online B2C Retailers 2010" at the Global Netrepreneur Awards organised by Alibaba Group, the China Electronic Commerce Association and Hangzhou Municipal Government. We were also included in the "Top 10 Best Cosmetics Online Shops" in ifeng.com's Top 10 Cosmetics Online Shop Awards 2010. ifeng.com is a member of Phoenix TV.

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 House Brand products increased by 24.5%, contributing 42.1% of the Group's total retail sales (40.1% for the fiscal year 2009/10). These results were partly attributable to more effective category and brand

management. In early 2011, the buying team was restructured to carry increased accountability for each product category. Other initiatives included broadening the target customer segments, product concepts and price segments in terms of product development and product sourcing; placing emphasis on more closely following market trends; focusing on launching trendy and timely new exclusive products catering to different customer segments; and diversifying the product categories and broadening their appeal to more market segments.

During the fiscal year 2010/11, we introduced popular new products and gained good word-of-mouth, along with effective marketing, which in turn drove the strong sales growth of our House Brand products. We also strengthened our own brands' product development into a significant driving force to enhance the sales mix and increase gross profit margin.

The Group's exclusive products achieved a number of awards in 2010/11. Collistar's slimming serum received the Grand Prize in the "Best Slimming Product" category in a poll organised by *Cosmopolitan* magazine of Hong Kong. Suisse Programme's Cellular Boosting Solution was 2nd runner-up in the "Best Booster/Pre-Treatment Product" category, and Méthode Swiss' Thermal Oxygen Sleeping Eye Mask was 2nd runner-up in the "Best Eye Mask" category in the same awards. La Colline's Cell Recharge Cellular Re-Energizing Treatment was awarded 1st runner-up in the "My Favourite Beauty Treatment Product" category in *MORE* magazine's 9th Beauty Products Contest in Hong Kong.

Information Technology Development

To support rapid changes in Sa Sa's markets as well as our business growth and strategic development, in fiscal year 2010/11 we maintained our programme of continuous investment in IT. The key objectives of our IT investment are to improve operational efficiency through adding more automated processes, to increase our ability to make quick responses to market changes, and to re-engineer internal operational workflows to achieve better control and communications. Overall, our mission is to continuously seek opportunities to leverage IT to achieve cost savings as well as to optimise revenue.

The major IT initiatives implemented during the year included the Customer Relationship Management system and the Document Management System for Hong Kong and Macau market, the real-time Enterprise Resource Planning (ERP) system for Mainland China operations, and the Intercompany Ordering System and the Resource Management System for the Group.

Outlook

We remain cautiously optimistic about the outlook for our business in the coming year. China's strong economic growth continues. The 12th Five-Year Plan gives explicit focus to increasing disposable income and reducing the financial burden on households by raising the minimum wage, intensifying urbanisation, lowering the tax burden and increasing spending on health, welfare and education. These measures bode well for the growth of Mainland consumer spending and for the further development of our business throughout the region.

Consumption-led economic activity, the broadening of customer segments driven by the expansion and rising aspirations of the middle class, increased consumer purchasing power and a strengthening Renminbi are additional factors that all support the continued growth of the retail market, including the cosmetics sector, in Hong Kong and Macau.

Hong Kong will also benefit from its ongoing integration with Mainland China. China's 12th Five-Year Plan underlines the Chinese Government's commitment to supporting Hong Kong's role as an international financial centre as well as a shipping and trading hub, which will undoubtedly strengthen the overall economy. Various major cross border infrastructure projects, when completed, will further facilitate the flow of people and goods between Hong Kong, Macau and the Mainland, thereby stimulating inbound tourism to Hong Kong and Macau. The construction of these major infrastructure projects will help boost domestic demand in the years to come.

As consumer sentiment continues to improve on the back of higher employment, greater personal income and rising inbound tourism, the retail sector will be a direct beneficiary. Sa Sa is well positioned to benefit from this improving economic climate, not only in Greater China but also throughout the Asian region. The Group will continue to invest in the development of our core markets and of other markets with promising prospects.

Hong Kong and Macau

Led by China's steady economic expansion and complemented by the growth of other countries in the region, the retail market in Hong Kong is expected to perform well. The Hong Kong Government forecasts GDP growth of 4% to 5% in real terms in 2011. Growth momentum in the region since the fourth quarter of 2010 was strong and has continued into the first quarter of

2011. We believe that improving job and income prospects, as well as vibrant consumer sentiment and strong inbound tourism, will further underpin robust retail sales growth in Hong Kong, including sales of cosmetics and medicines.

To capture these opportunities, Sa Sa will increase the pace of store openings by adding at least 14 stores in Hong Kong and Macau in fiscal year 2011/12. We will maintain this strategy of rapid store opening to establish a more balanced store network. This will help capture the improving consumption sentiment of both local consumers and tourists, and gain further market share in Hong Kong and Macau.

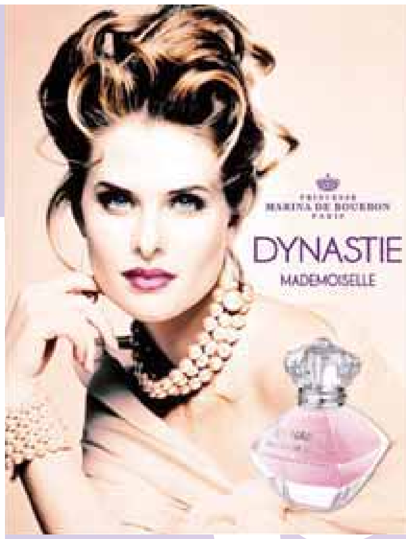
Operationally, the restructuring and increased accountability of the category management team is expected to enable more efficient inventory planning and to increase the productivity of the product portfolio. We believe this adjustment in the inventory mix will become a driving force of the Group's sales growth, in particular in the Hong Kong and Macau market. In regard to costs, we aim to increase our overall gross profits to address rental pressures. Due to Sa Sa's strong brand equity, our flexibility in the choice of store locations will help ensure that rental costs are kept under control. Although the rental market is highly competitive, with high rental reversions, we believe our increased growth rate will enable us to maintain rental to sales percentages within a reasonable range.

Mainland China

In Mainland China, we intend to accelerate the implementation of our expansion strategy, stepping up the pace of store openings and adopting a more proactive store selection strategy for our retail network. The Group plans to add about 40-50 stores in the coming fiscal year. Leases have been signed for eight upcoming new store spaces in Mainland China, of which four were opened in the first quarter of fiscal year 2011/12.

Sa Sa will also continue our long term strategic plan to develop five "clusters", or engines of growth, in Mainland China with an independent operational team for each cluster: namely Eastern China, Northern China, Central China, Western China and Southern China. For the two existing clusters of Eastern China and Northern China, we will continue to add stores in the existing cities and to expand into new cities, including both 2nd tier and 3rd tier cities. In addition, we will begin to build our presence in the cluster of Central China. Overall, we will broaden our network coverage from nine cities in fiscal year 2010/11 to more than 15 cities in fiscal year 2011/12.

Management Discussion & Analysis



In terms of location and presence, the proven performance of our new stores has encouraged more top tier landlords to offer attractive store space to Sa Sa. We have formed strategic alliances with renowned commercial property developers, to facilitate our rapid expansion plan and secure high-traffic and prominent store locations.

In order to improve our operational efficiency and effectiveness, and to build a solid platform to facilitate this fast-track expansion plan, the Group will continue to take strategic measures to improve our product offerings. We will secure more renowned international beauty brands from local suppliers, as well as major global and regional beauty groups, adding more House Brand products to drive a more diversified brand portfolio. We also aim to improve the relevance of these product offerings; the product portfolio will therefore be developed according to considerations of local climate, consumer behaviour and preference. We will introduce more popular and trendy brands and products, and further expand our network of suppliers.

A further aim of our Mainland China strategic plan is to increase store sales productivity by improving inventory and logistic management, enhancing the incentive scheme for sales staff, and strengthening the selling and supervisory skills of frontline staff. To facilitate our rapid expansion, we aim to devote considerable resources to enhance the management structure, and to build and expand a dedicated team for key functions. To address the challenge of a shortage of retail management talents, we aim to improve recruitment and staff retention, strengthen our training function in terms of scalability and structure, and systematically broaden the scope of training to support a fast-growing frontline base that is geared to geographical front line and backend needs.

Other Markets: Singapore, Malaysia and Taiwan

The outlook for our retail markets in Singapore, Malaysia and Taiwan is promising. We are confident the growth momentum from the second half of last fiscal year will continue into fiscal year 2011/12.

In Singapore, we are gaining market share as a leading cosmetic specialty retailer in the market specialising in skincare, makeup and fragrances. Although the market is highly competitive, we continue to expand our store network and successfully gain market penetration. The recent completion of a significant number of new shopping malls has given us an additional opportunity to expand our retail store network.

In Malaysia, we continue to gain market share and to be the top cosmetic specialty retailer. We aim to expand our store network and gain further market penetration. Our market share and network coverage in Malaysia have allowed us to gain sole agent rights in the market, which has greatly enhanced our competitiveness and profitability.

Taiwan's economy is set for further growth supported by an improved political climate and more investments from abroad, along with the prospect of an increasing numbers of visitors from the Mainland. Sa Sa will closely monitor the development of the Individual Visit Scheme for Mainland tourists to Taiwan and will act accordingly. Overall, the Group will focus on driving same store growth in all of these three markets.

E-commerce – sasa.com

We will continue our drive for diversification of markets in order to create a more balanced customer profile for sasa.com. We will build a new online platform that offers scalability and flexibility for more localised marketing and promotion while capturing the latest and most advanced online practices in e-commerce. Our aim is to understand more about our customers' needs and preferences. To enhance customer loyalty and increase repeat visits, we will strengthen our Customer Relationship Management function and launch more targeted marketing initiatives.

Brand Management

In regard to brand management, we will continue to add quality exclusive brands, in particular own-brands, to optimise our House Brand portfolio and increase productivity. The Group will also monitor possible consumer concerns about Japanese products arising from the radiation issue in Japan and we will take relevant measures if necessary.

Conclusion

Sa Sa has a long track record of sustainable growth in both challenging and more positive economic times.

Due to our clear vision, flexible and professional management, robust financial platform and innovative growth strategies, we are confident that we will continue to grow at a sustainable pace both in our core Hong Kong and Macau market, in Mainland China and in our other markets in the region.


Méthode SWISS
BEAUTY CARE
RADIANT
RESILIENCE PEEL
RADIEUSE
RESILIENCE PEEL
Méthode SWISS
BEAUTY CARE
THERMAL
OXYGEN OVERNIGHT
EYE MASK
OXYGENE THERMAL
MASQUE
YEUX DE NUIT
Méthode SWISS
BEAUTY CARE
THERMAL
OXYGEN SOOTHING
CONCENTRATE
OXYGENE
THERMAL CONCENTRE
APAISANT
Méthode SWISS
BEAUTY CARE
RADIANT
RESILIENCE REVIVER
RADIEUSE
RESILIENCE RAVIVEUR

Making Life Beautiful, Making Life Better

As one of Asia's leading companies dedicated to "making life beautiful", Sa Sa is committed to translating the pursuit of individual beauty and well-being into concern for society at large and for the sustainable development of the community wherever we operate. Just as we have built our success on offering products that bring long-term confidence and vibrancy to our customers, revealing their inner beauty, so too we have undertaken a broad variety of social, environmental and educational initiatives throughout our history to help beautify, energize and support the society in which our customers and employees live and work.

We believe that the participation of our employees and their families in community development initiatives is a key part of Sa Sa's commitment to being socially responsible. To this end, the Group strives to improve the quality of life in each of our markets in harmony with local culture and values.

Caring Company Plus

The Group continues in its mission to achieve the highest standards of governance and corporate citizenship. In March 2011, we established a Corporate Social Responsibility ("CSR") Committee to lead and monitor the implementation of CSR policy and management systems. The committee includes representatives of major departments and is chaired by the Director of Corporate Strategy and Development.

Our efforts in contributing to social development and environmental protection were recognised in 2010/11 by the award of the "5 Years Plus Caring Company Logo" by The Hong Kong Council of Social Service. Sa Sa also ranked fourth among the Top Donors to the Community Chest during the year.

Nurturing 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 Chinese University of Hong Kong, Lingnan University, Hong Kong Polytechnic University and Hong Kong University of Science and Technology.

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. Sa Sa was a full-year sponsor of the Po Leung Kuk and contributed to various activities of the organisation including a charity hat sale as one of the Ladies' Purse Day events at the Hong Kong races. Other beneficiaries in sum or in kind included Lifeline Express, Caritas, Hong Kong Breast Cancer Foundation, Hong Kong Girl Guides Association, Suicide Prevention Services, Hong Kong AIDS Foundation

and Boys' & Girls' Clubs Association of Hong Kong. Donation boxes were also placed in Sa Sa shops to raise funds from our customers for charitable organisations such as Heifer International Hong Kong and Po Leung Kuk.

In order to show our support for those with special needs and to promote diversity in the community, Sa Sa made donations to the Hong Kong Special Olympics and Riding for the Disabled Association. We also provided on-the-job experience to qualified students by offering a summer internship to the winning team of the Qualification Programme ("QP") Case Analysis Competition 2010 organised by the Hong Kong Institute of Certified Public Accountants.

Working Together as a Team

Everyone in the Group, from the Chairman to the most recent recruit, is encouraged to make a positive contribution towards the betterment of society and the progress of our industry, affirming our leading role as a responsible corporate citizen.

Management Walk the Talk

During the year, our senior management continued to "walk the talk" by leading the way in community endeavours. Chairman & CEO Dr Simon Kwok served as the Vice-Chairman of the Quality Tourism Services Association Governing Council 2009-11, a Member of the Board of Directors of the Community Chest 2010/11 and the Co-Chairman of the 2010/11 Community Chest Campaign Committee. Our Vice-Chairman, Dr Eleanor Kwok, was appointed as a Director on the Board of Directors 2010/11 of Po Leung Kuk and Honorary Vice-President of the Hong Kong Girl Guides Association 2010/11. Various Sa Sa executives spoke at seminars and forums during the year to share their experiences with industry practitioners. Chairman and CEO, Dr Simon Kwok, addressed young businessmen at a seminar organised by the Leo Club of Hong Kong (Pacific), while the Group's CFO and Executive Director, Mr Guy Look, gave a presentation to students at the "Business Leader Forum" organised by the City University of Hong Kong.

Staff Participation in Charitable and Social Activities

Sa Sa believes in teamwork and in mobilising the strongest possible staff participation for community initiatives. During the year, Sa Sa colleagues supported the "Community for the Chest" TV show and made a donation of HK$100,000. Members of the Sa Sa team participated in the "2010/11 Walk for Millions" and "Dress Special Day", the "Chinese New Year Charity Walk 2011" and the "Charity Bowling Contest 2010" to raise fund for the Community Chest and Po Leung Kuk.

Corporate Social Responsibility

Sa Sa also participated in fund-raising activities such as the "Race to Feed 2010" event of the Heifer International Hong Kong and sponsored the subsequent TV programme, the "Pink Walk Against Breast Cancer 2010" of the Hong Kong Breast Cancer Foundation and the Hong Kong Aids Foundation's Flag Day 2010.

Contributing to Hong Kong's Progress

Sa Sa strongly believes in promoting the ongoing prosperity and social and cultural development of Hong Kong. During the year, in order to support heritage events and promote tourism to Hong Kong, we were title sponsor of the "Hong Kong International Dragon Boat Races 2010" and one of the sponsors of the "International Chinese New Year Night Parade 2011". We sponsored the "Sa Sa Rooftop Studio" of the Hong Kong Art School, the "Angel Fund of the Friends" scheme of the Hong Kong Arts Centre, and the Hong Kong Ambassadors of Design, to help nurture creative and cultural experiences in the community.

Supporting Greater China and the Region

Sa Sa's role as a good corporate citizen and caring company extends beyond the confines of Hong Kong to the region as a whole.

The Group made a donation of HK$500,000 to the "Artistes 311 Love Beyond Borders" in Hong Kong to support the Salvation Army in their relief work for the devastating earthquake and nuclear radiation crisis of March 2011. Sa Sa also provided product sponsorship for a shopping mall's charity sale for the same cause.

In Mainland China, Sa Sa sponsored fund raising activity by the China AIDS Initiative ("CAI") and Hong Kong AIDS Foundation to support HIV/AIDS projects of CAI in the Mainland. Sa Sa also made a donation to the Chinese Athletes Educational Foundation to support Mainland's development in sports.

Towards a Better Environment

Sa Sa continues to look for more comprehensive ways to make its practices sustainable and to encourage 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 for the fourth successive year, we continued to implement a series of "green" initiatives in 2010/11 to reduce energy and paper consumption, and to encourage recycling.

All Hong Kong stores participated in the No Plastic Bag Day since December 2006 until the Environmental Levy Scheme on plastic shopping bags came into effect in Hong Kong in July 2009 and "Sasa" stores participated in the scheme. An environmental levy of 50 cents on each plastic shopping bag at the retail level was introduced under the scheme.

Sa Sa also offered various fashionable recyclable shopping bags for the convenience of our customers. As a result, paper shopping bag consumption was reduced by almost 24% in our Hong Kong and Macau shops as compared to the previous fiscal year. In February 2011, we introduced bio-degradable plastic shopping bags made of P-Life Bio-Degradable Plastic with two years' service life.

Other energy-saving initiatives included the introduction of energy-saving LED lights in all new shops and newly renovated stores in Hong Kong and Macau from November 2010 onwards; switching on shop signboards only after 5:00 pm and switching them off after opening hours; and adopting new renovation plans in shops to improve the efficiency of lighting and air-conditioning.

Since October 2006, the lighting and air conditioning in our main offices are automatically switched off at non-peak times and lighting during the lunch hour is also turned off. The indoor temperature is maintained at 25.5ºC with relative humidity settings at an optimal level. During the year, water consumption reduced by approximately 13% in our main office and 14.5% in our stores (per square foot) as compared to the previous fiscal year, while electricity consumption in our Hong Kong and Macau stores declined 5.3% (per square foot).

Paper consumption for our offices and stores in Hong Kong and Macau reduced by a notable 35%, partly due to setting a printing quota for all departments with regular monitoring. Waste paper in our head office was regularly dispatched to a recycling plant. The recycling of toner cartridges and ink-jet bottles, and the centralising and recycling of carton box and packaging materials in our warehouse and logistics centres continued. We also maintained the computer recycling initiative that we launched in 2007, including the donation of used PCs, notebooks and monitors to charitable organisations such as The Salvation Army.

In order to help conserve biodiversity and set a good ecological example, Sa Sa complied with the sustainability guidelines set out in the WWF Hong Kong Seafood Guide, and ceased to serve shark's fin at Sa Sa's annual dinner for the second consecutive year since 2010.

People Development

Sa Sa fully recognises the value and importance of human capital, which has directly contributed to our growth and success. To support the dynamic expansion of the Group, the total number of employees has increased to 3,493 as at 31 March 2011 and staff costs for the year under review were HK$657.2 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 by 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 a workforce that is highly productive and that can greatly enhance organisational performance and thus business results.

Since we strongly believe in the importance of recognising employees' accomplishments, we have many different, if equally valuable 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 ensure that the requisite directions and standards are set and met. There are many performance incentives for our employees, with attractive bonus and share options being offered to outstanding performers.

We understand that effective communication with employees is essential in order to win their cooperation, bolster morale, improve mutual understanding and develop good employee relations. Our culture promotes two-way communications and the sharing of views. Employees are encouraged to contribute ideas at regular events such as the Strategic Planning Meeting and breakfast seminars. The Company's vision and mission, business goals and strategies are conveyed to our employees through various channels including an 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 our offices in other Asian countries. Other initiatives included 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 satisfied and contribute to the community as a whole. Employees in the wider Sa Sa family are always treated with care and respect.

We endeavour to provide our employees with a measured work-life balance. A great number 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 social interactions out of the office. These activities include our Christmas party, annual dinner, boat cruises, barbecues, and various other gatherings. In June 2010, we participated in the Corporate Games organised by the Leisure and Cultural Services Department in Hong Kong. All these activities provide 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. During the year, in view of the outbreak of Influenza, Hand, Foot and Mouth Disease ("HFMD") and Enterovirus 71 Infection ("EV71"), we issued prevention guidelines to our employees through internal e-mails. We also arranged a series of occupational safety and health talks.

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 enhanced training to staff with the total average training per staff increasing from 5.2 mandays to 7.2 mandays. Various training programmes were offered to frontline and office staff to improve their performance.

We also increased the training hours of our Junior Beautician Trainee training programme from 200 to 240 hours, and provided more field coaching for our employees in order to facilitate the transfer of knowledge and skills. To support our rapid expansion and to prepare sales trainees to be professional beauty consultants, we introduced a "Sales Trainee Training Programme", a tailor-made programme for fresh graduates from secondary school that provided comprehensive training ranging from product knowledge to selling skills. .

In terms of staff development, we launched Leadership Management Skills training for newly promoted shop supervisors and frontline staff with potential, while also organising "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, on-site shop trainers reviewed the performance of frontline staff and suggested ways of improvement. Workshops were also held for frontline staff to enhance their selling skills.

To continue to offer quality service to our customers, the Group invited a renowned professional consultancy to further improve our Target Management and Sustaining System. This was aimed at deepening the on-site training programmes of our operational management and staff management, helping the management of our retail stores to strengthen internal management and execution skills, and strengthening the customer service consciousness of our beauty consultants. In addition, we improved the assessment mechanism for customer services to further enhance the overall service standard of our stores.

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. To support new product launches, we established a series of tailor-made and interactive product knowledge training sessions for frontline staff. These tools enable our frontline staff to refresh their skills and knowledge more effectively.

Cosmetics retailing is a market and skill-set that changes rapidly. Sa Sa continues to encourage our staff to continue to catch up with the latest trends and the evolving needs of customers. During the year, our staff participated in various seminars and workshops organised by professional bodies in the industry such as the Hong Kong Retail Management Association ("HKRMA") and the Hong Kong Association for Customer Service Excellence. To facilitate better communication between frontline staff and customers from all around the world, English and Mandarin courses are offered to staff to ehance their language proficiency.

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.

Industry Recognition

In recognition of our outstanding performance in manpower training and development, the Employees Retraining Board ("ERB") accredited Sa Sa as a "Manpower Developer" in the ERB Manpower Developer Award Scheme of 2011. Sa Sa also continued to participate in various industry competitions with the aim of enhancing overall service quality and of developing staff to market-leader standards. For the fourth consecutive year, Sa Sa received the "Service and Courtesy Award – Supervisory Level" in the Beauty Products/Cosmetics Category of the Service Awards 2010 organised by the HKRMA. La Colline specialty shop was awarded the "Service Category Leader Award" in the Beauty Products/Cosmetics Category for the sixth consecutive year in the HKRMA's Mystery Shoppers Programme 2010. Among 125 retailers of 16 retail categories, La Colline's specialty shop achieved a more than satisfactory result with an average score of 97.2%. "Sasa" stores also attained an average score of 90%.

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 provide quality service, and we have a long-established network of more than 200 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 obtain the best value products, and buy 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 has expertise 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; selling skills; supervisory skills; customer service skills; and general management skills.

Intensive training

A new beauty consultant receives 240 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 quality services 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 33 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 variety of products ranging 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 skin care and beauty products that are suitable for Asians, in particular Chinese, from around the world.

Value-added services offered by Sa Sa

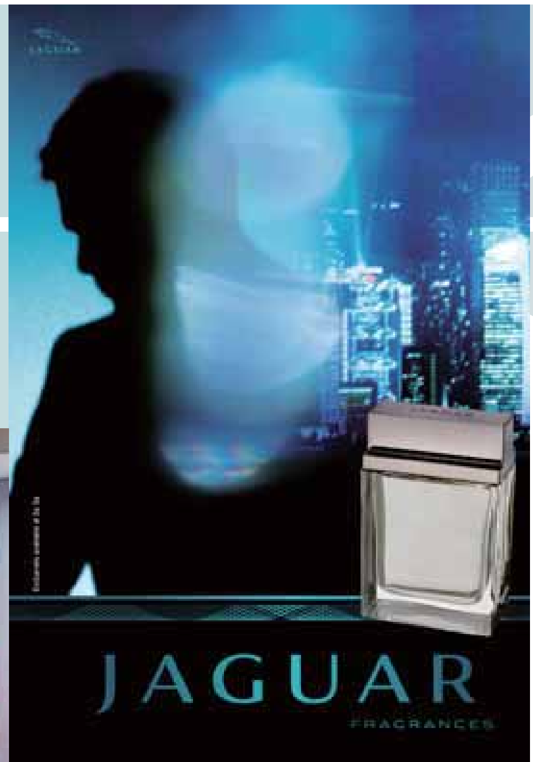
- Professionally trained beauty consultants provide personalised advice to customers and introduce relevant quality products across different brands
- A wide variety of promotions
- Quality assurance for products
- Free make-up service and professional beauty treatments with dedicated treatment rooms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

Diversified distribution network

- Sa Sa's products are currently sold under different distribution formats: multi-brand "Sasa" stores, department stores concession counters under exclusive brands, and online store.

A brand new shopping experience

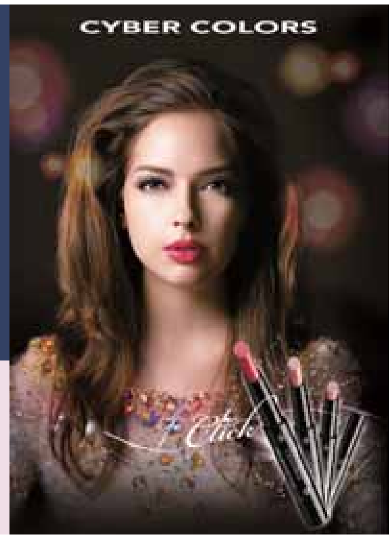
- A trendy and comfortable shopping environment and open shelves allow Mainland consumers to choose the products of different brands at ease, offering them a brand new shopping experience.



Capital Resources and Liquidity

As at 31 March 2011, the Group's total equity funds were HK$1,352.7 million including reserves of HK$1,072.4 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$618.4 million. The Group's working capital was HK$1,054.7 million. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances and readily available banking facilities, the Group has adequate liquidity and financial resources to meet the working capital requirements as well as to fund its budgeted expansion plans in the next financial year.

During the year, the majority of the Group's cash and bank balances were in Hong Kong dollars, Euro or Renminbi and deposited in reputable financial institutions 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 relatively stable yield to the Group.



Financial Position

Total funds employed (representing total equity) as at 31 March 2011 were HK$1,352.7 million, which represented a 14.2% year-on-year increase.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 31 March 2011 and 31 March 2010.

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 dollars, Euro or Renminbi. Based on purchase order placed, the Group minimised its foreign exchange exposure by way of buying against order at spot or entering into foreign currency forward contracts with reputable financial institutions and maintaining no long position. These hedging policies are regularly reviewed by the Group.

Charge on Group Asset

As at 31 March 2011, no Group asset was under charge to a financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 31 March 2011.

Capital Commitments

As at 31 March 2011, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$205.9 million.


SUISSE
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COLLAGEX PREMIER
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Biographical Details of Directors and Senior Management

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

Executive Directors

Dr KWOK Siu Ming Simon § ^, *JP*

Chairman and Chief Executive Officer

Aged 58. 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 33 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 President, a Councillor and the Honorary Life President 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 Vice-President of the Executive Committee and the Honorary Founding President of the Professional Validation Centre of Hong Kong Business Sector, and the Honorary Life President of the Hong Kong Brands Protection Alliance. He is also a selected member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong, a voting member of The University of Hong Kong Foundation and a board member and 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 the "Report of the Directors".

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

Vice-Chairman

Aged 57. 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 35 years of experience in the sales and marketing of beauty products. With extensive professional knowledge and many years of experience in cosmetics retailing, she pioneered the unique operational concept of open-shelf display of beauty products, making shopping a more enjoyable experience. Dr Kwok plays a leading role in the marketing, operations, human resources and staff training functions of the Group. She is currently the Honorary President of the Cosmetic & Perfumery Association of Hong Kong, an Executive Committee Member of the Guangdong 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 the "World Outstanding Chinese" award from the World Outstanding Chinese Association and World Chinese Business Investment Foundation. She was conferred an Honorary Doctorate of Management by Morrison University, USA, and an Honorary Fellowship by the Professional Validation Centre of Hong Kong Business Sector.

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

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 the "Report of the Directors".

Biographical Details of Directors and Senior Management

Mr LOOK Guy § ^

Chief Financial Officer and Executive Director

Aged 54. Mr Look is the CFO, Executive Director, and a director of certain subsidiaries of the Group. Mr Look has over 29 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, a member of the Support Group on Climate Change-related Issues of the Council for Sustainable Development 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 the "Report of the Directors".

Non-Executive Directors

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

Independent Non-Executive Director

Aged 57. Appointed as an Independent Non-executive Director and the Chairman of the Audit Committee of the Company in November 1999. Professor Chan is currently the President of the Lingnan University of Hong Kong. Previously, he had served as the Vice President for Academic Affairs and the Founding Dean of the Business School of the Hong Kong University of Science and Technology. He obtained a PhD in Finance, as well as an MBA and MA in Economics from the University of California at Berkeley. He is 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, the Steering Committee on the Community Care Fund and the Supervisory Committee of the Tracker Fund of Hong Kong. Professor Chan is also a Fellow and a Council Member of the Hong Kong Management Association. Details of his interest in the shares and underlying shares in the Company are set out in the "Report of the Directors".

Ms KI Man Fung Leonie * Δ, *SBS, JP*

Independent Non-Executive Director

Aged 64. Appointed as an Independent Non-executive Director of the Company 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 34 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 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 87. Appointed as an Independent Non-executive Director of the Company in May 1997 and redesignated as Non-executive Director in June 2004. Mrs Lee is the widow of Mr Lee Hsiao Wo, the founder of Television Broadcasts Limited. 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 Look Guy. Details of her interest in the shares and underlying shares in the Company are set out in the "Report of the Directors".

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

Independent Non-Executive Director

Aged 62. Appointed as an Independent Non-executive Director of the Company in January 2000 and is the Chairman of the Compensation Committee. Dr Leung has over 28 years of experience in management consultancy and is an expert in business strategy, organization and leadership development. Dr Leung holds a PhD in Business Administration from the University of Illinois. He has been appointed to significant positions in many public organizations 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 *$^{\Delta\#}$, *GBS, JP*

Independent Non-Executive Director

Aged 65. Appointed as an Independent Non-executive Director of the Company in June 2004 and is the Chairman of the Nomination Committee of the Company. Ms Tam was educated at London University. She qualified as a barrister-at-law at Gray's Inn, London, and practised in Hong Kong. She was a member of the Preparatory Committee for the Hong Kong Special Administrative Region (PRC) and Hong Kong Affairs Advisor (PRC). She is a deputy to the National People's Congress of The People's Republic of China, a member of the Hong Kong Basic Law Committee, as well as a member of the Operations Review Committee and a member of the Panel of the Witness Protection Review Board of the Independent Commission Against Corruption. She is also a member of various community services organisations. Details of her interest in the shares and underlying shares in the Company are set out in the "Report of the Directors".

Mr TAN Wee Seng

Non-Executive Director

Aged 55. Appointed as a Non-executive Director of the Company 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, an Independent Director of 7 Days Group Holdings Limited whose shares are listed on the New York Stock Exchange, a Non-executive Director of Xtep International Holdings Limited and an Independent Non-executive Director of Biostime International Holdings Limited, the shares of which are listed on the Main Board of Hong Kong Stock Exchange. He is also a board member of Beijing City International School and a director of Landgent Group Company Limited. Mr Tan has 33 years of financial, operation and business management experience and has also held various senior management positions in a number of multinational and Chinese corporations. From 2003 to 2008, he was an Executive Director, Chief Financial Officer and Company Secretary of Li Ning Company Limited, the shares of which are listed on the Main Board of the Stock Exchange. From 1999 to 2002, he was the Senior Vice President of Reuters for the China, Mongolia and North Korea regions, and the Chief Representative of Reuters in China. Mr Tan is a fellow member of the Chartered Institute of Management Accountants, United Kingdom, and a fellow member of the Hong Kong Institute of Directors.

Senior Management

Mr LAW Kin Ming Peter

Senior Vice President, Category Management & Product Development

Aged 55. Joined Sa Sa in January 1996, Mr Law was appointed Senior Vice President, Category Management and Product Development in January 2008. He has more than 29 years of experience in the field of sales and marketing, 20 of which were in senior management positions. He is also a director of a subsidiary of the Group. Mr Law oversees the Group's category management and product development function. He is also responsible for the Group's acquisition of exclusive distribution rights of international brands and the development of the Group's house brand products. He holds a Bachelor's degree in Arts majoring in Communications Studies from the University of Windsor, Ontario, Canada and pursued a Bachelor's degree in Commerce later. Mr Law is the Honorary Advisor of the Cosmetic & Perfumery Association of Hong Kong. Mr Law is the brother of Dr Kwok Law Kwai Chun Eleanor and the brother-in law of Dr Kwok Siu Ming Simon.

Ms LOI Wei Sin Corina

Senior Vice President / Country Head of Malaysia

Aged 51. Joined Sa Sa in October 1997, Ms Loi was appointed as Vice President/General Manager of Malaysia in January 2001 and was promoted to Senior Vice President and Country Head of Malaysia in July 2008. She is also a director of a subsidiary of the Group. Ms Loi was a crucial member of the start-up team for the Malaysian operation. Ms Loi has over 28 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 54. Joined Sa Sa as Senior Vice President of Information Technology in December 2004. She had held senior management positions with various multinational information technology corporations. Before joining Sa Sa, she was the Chief Technology Officer of Softbank Investment International (Strategic) Limited, a venture capital firm which focused on internet technology investment projects. Ms Lu holds a Master of Science in Computer Science from the Johns Hopkins University, USA.

Composition of the Board and various Board Committees

Board

1. Dr KWOK Siu Ming Simon* (Chairman & CEO)
2. Dr KWOK LAW Kwai Chun Eleanor* (Vice-chairman)
3. Mr LOOK Guy* (CFO)
4. Mrs LEE LOOK Ngan Kwan Christina#
5. Professor CHAN Yuk Shee$^{\Delta}$
6. Dr LEUNG Kwok Fai Thomas$^{\Delta}$
7. Ms TAM Wai Chu Maria$^{\Delta}$
8. Ms KI Man Fung Leonie$^{\Delta}$
9. Mr TAN Wee Seng#

Executive Committee

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

Risk Management Committee

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

Compensation Committee

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

Nomination Committee

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

Audit Committee

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

** Executive directors*
 # Non-executive directors
$^{\Delta}$ Independent non-executive directors

Good corporate governance practices are not just a matter for the Board but are at the heart of everything that we do at Sa Sa.

Corporate Governance practices

The Board regards the setting, maintenance and review of high standards of corporate governance as an essential part of its work. Throughout the year ended 31 March 2011, 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 2011. 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 usually sent to all Directors at least 14 days in advance of the meetings and Directors are given the opportunity to include additional matters for consideration at such 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 one week 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 as and when required.
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

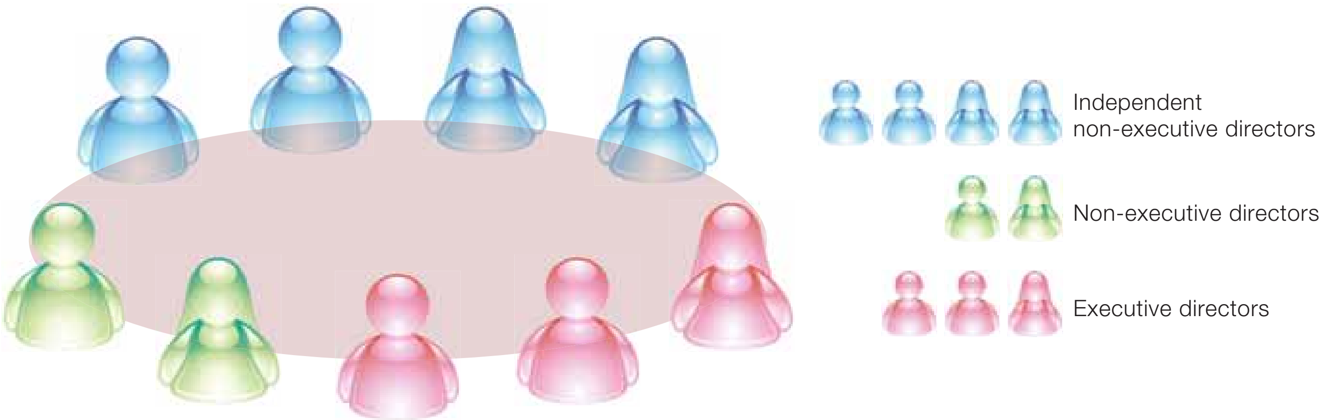
Principle

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, ensures that the Directors are provided with relevant papers and information in advance before each Board meeting, to enable them to be properly briefed on matters to be considered and/or approved.
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 set strategy, monitor progress towards meeting the Group's objectives and to conduct regular reviews of financial performance, risk management and other business issues.

A. Director (continued)

Our board composition



We review the structure, size and composition of the Board annually to ensure that it has the right mix of knowledge, skills and experience to maximise performance.

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.

All Directors are subject to re-election at regular intervals as provided for by our Articles of Association.

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. The terms of appointment of our non-executive Directors are set out in the Report of the Directors, at page 90.
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 of Association also require one-third of the Directors to retire by rotation at each AGM and each Director to retire by rotation at least once every three years.

A. Director (continued)

The Board's responsibilities
- Transparency
- Effective decision-making
- Proper risk management and control

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. In the year 2010/11, briefings were provided to the Directors both at Board meetings and by correspondence on topics such as regulatory changes and matters in relation to corporate governance.
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 during the year ended 31 March 2011, demonstrating satisfactory attendance, are set out below. Please also refer to the charts below for the duration of our Board meetings and the volume of papers reviewed at such meetings as well as a summary of how the Board spent its time in 2010/11.

A. Director (continued)

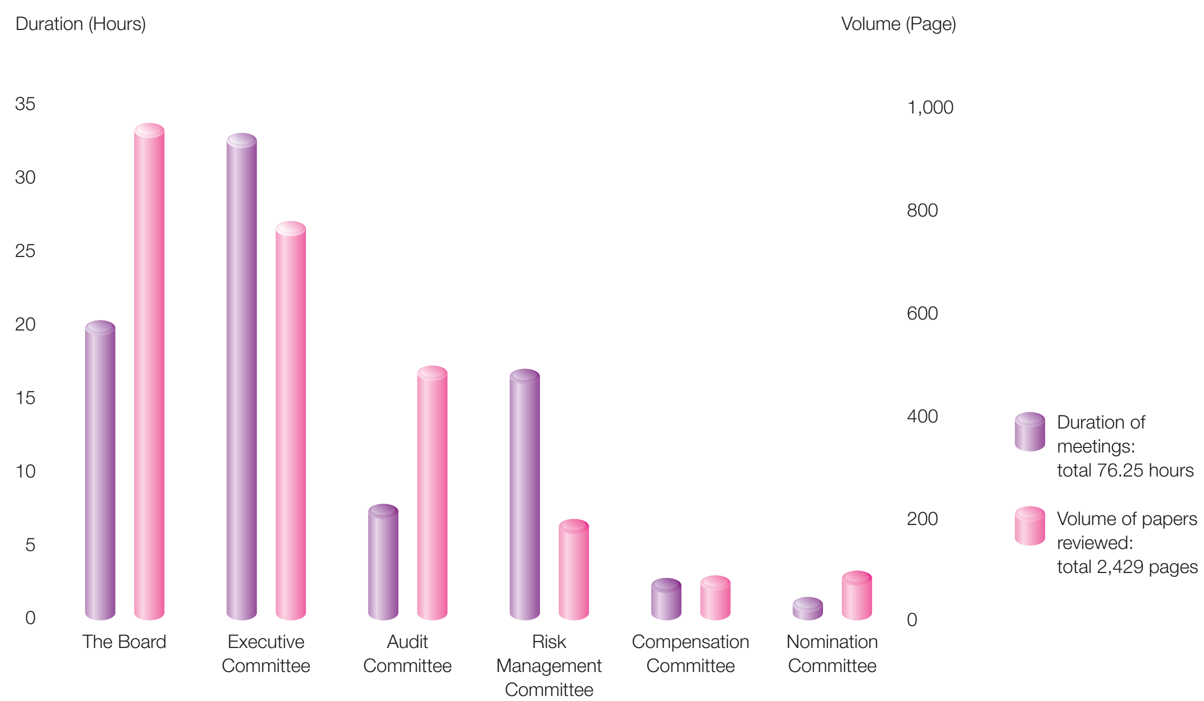
A.5. Responsibilities of Directors (continued)

Directors Attendances at various Board and Board Committee meetings and the AGM

Name of Directors[a]	Board meeting	Executive Committee meeting	Audit Committee meeting	Compensation Committee meeting	Nomination Committee meeting	Risk Management Committee meeting	Annual general meeting[d]
Executive Directors							
Dr KWOK Siu Ming	5/5	8/8	3/3[b]	2/2[b]	1/1[b]	6/6	1/1
Dr KWOK LAW Kwai Chun Eleanor	5/5	8/8	3/3[b]	2/2	1/1	6/6	1/1
Mr LOOK Guy	5/5	8/8	3/3[b]	N/A	N/A	6/6	1/1
NEDs							
Mrs LEE LOOK Ngan Kwan Christina	5/5	N/A	N/A	N/A	N/A	N/A	1/1
Mr TAN Wee Seng	5/5	N/A	N/A	N/A	N/A	N/A	1/1
INEDs							
Professor CHAN Yuk Shee	5/5	N/A	3/3	N/A	N/A	N/A	1/1
Dr LEUNG Kwok Fai Thomas	5/5	N/A	3/3	2/2	1/1	N/A	1/1
Ms TAM Wai Chu Maria	5/5	N/A	3/3	2/2	1/1	N/A	1/1
Ms KI Man Fung Leonie	4/5	N/A	2/3	1/2	1/1[b]	N/A	0/1[e]
Total No. of Meetings Held	**5**	**8**	**3[c]**	**2**	**1**	**6**	**1**

Notes:
(a) The relationship among members of the Board is set out on pages 49 to 51 under Biographical Details of Director and Senior Management.
(b) Attended as invitees.
(c) Audit Committee meetings are usually held quarterly. The Audit Committee meeting for the fourth quarter was originally scheduled to be held on 25 March 2011 but was postponed to 16 April 2011.
(d) Apart from the AGM, the Company has also held an EGM on 20 December 2010 during the year.
(e) In her absence, Ms KI Man Fung Leonie appointed Ms. TAM Wai Chu Maria to act as her alternate.

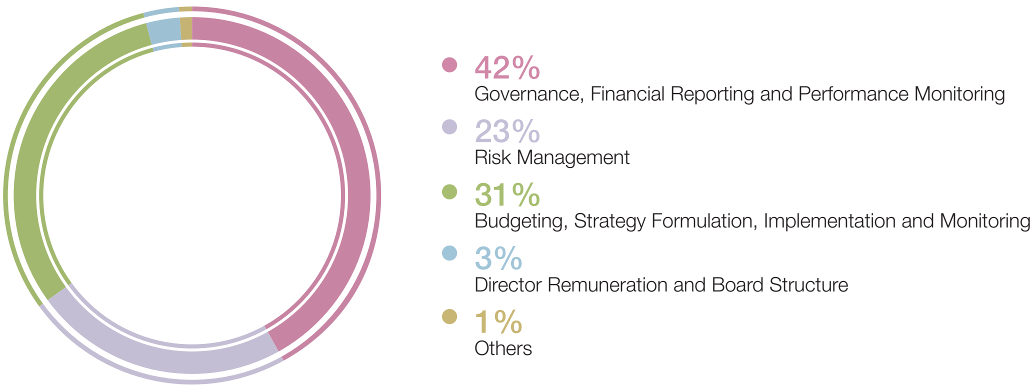
Duration of board meetings and volume of papers reviewed



A. Director (continued)

A.5. Responsibilities of Directors (continued)

How the Board spent its time in 2010/11



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 at least 14 days in advance of the Board meetings, whereas Board papers are usually sent to Directors one week before but always at least three days in advance of the meetings.

A. Director (continued)

A.6. Supply of and access to information (continued)

Code	Code Provision
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 electronic form from June 2010 onwards.

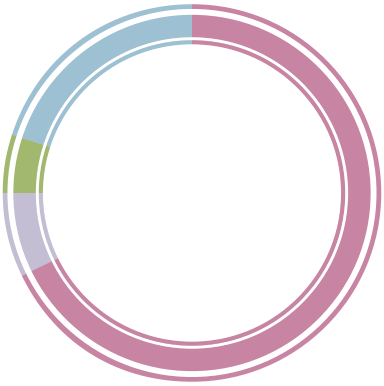
B. Remuneration of Directors and senior management

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.

Pay Mix of our Executive Directors



- 67% Basic salaries and other allowances
- 8% Bonuses
- 5% Retirement benefit costs
- 20% Share-based payment

* *Please refer to page 122, Note 9 of the Notes to the Consolidated Financial Statements for details.*

B. Remuneration of Directors and senior management (continued)

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

Code	Code Provision
B.1.1	***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.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 regular 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 Committee 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. During the year 2010/11, the Compensation Committee held one additional meeting to consider the proposed remuneration package of one potential candidate who was being considered at a very senior level. **Our emolument policy and long-term incentive plan** Generally, the base compensation forms a significant part of our remuneration package for employees. The Group pays a competitive base compensation with reference to the prevailing market conditions and the respective duties and responsibilities of the relevant employees. Incentives are given by way of discretionary annual bonus, performance bonus as well as share options. Fringe benefits such as provident fund, medical insurance, personal accident insurance and business travel insurance are also offered to the Group's employees. Details of the share options granted in 2010/11 under the Share Option Scheme adopted by the Company are set out on page 83 of this Annual Report. As regards directors, their remuneration are determined with reference to each Director's expertise and experience, duties and responsibilities, industry standards, prevailing market conditions and the Group's performance. The Compensation Committee makes recommendation on directors' remuneration based on the above criteria for approval by the Board. The remuneration of our Executive Directors consists mainly of basic salaries, share-based payment and bonuses, particulars of which are set out in note 9 to the consolidated financial statements on page 122 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, 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 accounting department which is under the supervision of the CFO, the Directors ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 31 March 2011, 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 95 of this Annual Report sets out the reporting responsibilities of PwC, the auditor 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 and accountable for developing and maintaining a sound system of internal controls that covers compliance, risk management, financial as well as operational controls to safeguard the Group's assets and stakeholders' interests. Internal control is defined as a process effected by the Board, the management and other personnel, designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance of the following: – compliance with applicable laws, rules and regulations – effectiveness of risk management functions – reliability of financial reporting – effectiveness and efficiency of operations The Board has delegated to the Risk Management Committee the responsibility to identify and evaluate the risks faced by the Group and design, operate and monitor a suitable system of internal controls. The Risk Management Committee is accountable to the Board for providing assurance on managing and monitoring the system of internal controls. **Risk Assessment and Management** The Group's ERM System is an integral part of corporate governance that helps sustaining business success and creates value for stakeholders. The risk management process aims at assisting the Risk Management Committee and management team to manage key risks, to enhance the effectiveness of the control environment and enforce compliance with rules and regulations. Additionally, a balance scorecard system was implemented, incorporating key performance indicators to measure progress in achieving business goals. The balance scorecard system and the ERM System together allow the Group to focus on business objectives and monitor a comprehensive set of risks at the same time.

C. Accountability and audit (continued)

C.2. Internal controls (continued)

The ERM Framework

C. Accountability and audit (continued)

C.2. Internal controls (continued)

Code	Code Provision
	(continued) **Control Activities and Processes** The Group maintains an internal audit function that is responsible for assisting the Board in maintaining effective internal controls, by evaluating their effectiveness and efficiency and by seeking continuous improvements. The Internal Audit and Management Services Department ("IAMS Department") of the Group has unrestricted access to review all aspects of the Group's activities, risk management, control and corporate governance processes and reports directly to the Audit Committee on a quarterly basis and has direct access to the chairman of the Audit Committee. Appropriate resources and expertise have been employed to develop audit work programmes and to conduct reviews of the effectiveness of the internal control system. In the year ended 31 March 2011, the internal audit charter was approved by the Audit Committee and adopted by the Board. Under the internal audit charter, the IAMS Department assists the Board in promoting sound risk management and corporate governance. The priorities and frequencies of the internal audit activities are determined based on the materiality and potential business risks existing in the internal control systems of various businesses and processes of the Group. The Audit Committee reviews and approves the annual audit plan and all major changes to the plan. The IAMS Department carries out internal audit activities in accordance with the approved annual audit plan. All findings and recommendations on internal control deficiencies for each audit assignment are communicated to management. The IAMS Department works with the management to establish remedial plans to correct internal control deficiencies within a reasonable time period. Post-audit reviews are also scheduled and performed on a quarterly basis to monitor those agreed action plans and to ensure that corrective measures of previously identified internal control deficiencies have been implemented as intended and on a timely basis. In addition, the IAMS Department also follows up on the external auditor's recommendations as part of its role in reviewing the Group's system of internal controls. Through the Audit Committee, the Board has conducted reviews of the effectiveness of the Group's internal control system for the year ended 31 March 2011, 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. Significant 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 identified during the year that might affect shareholders. The Audit Committee has reviewed the adequacy of resources, qualifications, experience and training programmes of the Group's accounting and financial reporting staffs and considered that the staffing is adequate and the staffs are competent to carry out their roles and responsibilities.

C. Accountability and audit (continued)

C.2. Internal controls (continued)

Code	Code Provision
	(continued) **Future Work Plan** Based on the approved annual audit plan for the financial year 2011/12, the IAMS Department will conduct internal control reviews and post-audit reviews on financial, operational and compliance controls and effectiveness of risk management functions of material business and functional units. In accordance with best corporate governance practices, the Group will develop and implement an anti-fraud policy that states the commitment to preventing, detecting and reporting fraud. In addition, IT Governance Assessment will be performed to assure IT management's alignment with the Group's strategy and the effectiveness of the governance process, the maturity and efficiency of IT operations and meeting users' expectations of IT performance. To accommodate and support the future business development of the Group's online businesses, security and data privacy assessments on network infrastructure, operating system, application configurations and database management systems will be carried out. **Risk Management** For the year ended 31 March 2011, the Group has implemented the ERM System to address and manage risks covering all major business areas and to support the Board in discharging its corporate governance responsibilities in this respect. The Risk Management Committee, made up of the executive directors, oversees and monitors the effectiveness of the ERM System for the Group in respect of the business and operations in Hong Kong, which is underpinned by line management taking direct risk management responsibilities as risk owners. **The ERM System** The ERM System provides clear accountability and responsibility structures for risk management, which consists of three major components comprising risk governance, risk infrastructure and oversight and assignment of risk ownership. In order to focus on the risks associated with the Group's business objectives, the framework recommended by the Committee of Sponsoring Organizations of the Treadway Commission has been adopted, accordingly, risks are categorised into Strategic, Operational, Financial and Compliance functions for more focused assessment and management. Risk inventory was set up at the inception of the ERM System and has been updated for risk assessment purpose. **Risk Management and Assessment** The Group implemented a new risk management process on 1 April 2010. The risk management function involves the use of risk indicators and red flags to monitor the top 10 selected priority risks. The Risk Management Committee meetings are held at least on a quarterly basis to review and discuss risk management results of each of the top 10 priority risks. For risk indicators highlighted in red flag status, responsible risk owners are required to propose, agree on remedial action plans and promptly follow up to ensure risks are properly managed. Summarised risk management results were presented to the Audit Committee to enhance the accountability and quality of the risk management process.

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. Draft minutes of meeting are usually sent to Committee members for comments within one week after each meeting.
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, monitoring the integrity of the Group's financial information and overseeing the Group'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 auditor, without the presence of the Executive Directors of the Company, to discuss matters or issues arising from the audit and other matters. The Committee reviews the effectiveness of our internal controls on a quarterly basis. Three Audit Committee meetings were held in the year 2010/11. A fourth meeting was originally scheduled to be held in March 2011 but had to be postponed to April 2011 to accommodate the time schedule of the Directors. The Chairman and CEO, CFO, members of the management team and the external auditor 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 59. 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 auditor; (ii) review of the terms of engagement of the external auditor, their independence, the effectiveness of the audit process and the audit and non-audit services undertaken by the external auditor; (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; (iv) review of the Group's foreign currency and treasury practices; (v) review of the progress and updates of the risk management process;

C. Accountability and audit (continued)

C.3. Audit committee (continued)

Code	Code Provision
	(continued) (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 auditor 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 2011, 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 auditor for the year ended 31 March 2011 amounted to approximately HK$3,051,000, comprising audit fees of HK$2,206,000 and non-audit fees of HK$845,000. The non-audit services consist mainly of tax advisory services and reporting on the gross receipts of retail shops.

There is clear division of responsibilities between the Board and management. Except for the matters that are specifically reserved to the Board for decision, the day-to-day activities of the Group are taken care of by the management team. The Board, on the other hand, is responsible for providing effective leadership, the setting of strategies and policies, oversight of risk and governance, and also the monitoring of progress towards meeting the Group's objectives.

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.

D. Delegation by the Board (continued)

D.1. Management functions (continued)

Code	Code Provision
	(continued) **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; (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;

D. Delegation by the Board (continued)

D.1. Management functions (continued)

Code	Code Provision
	(continued) (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 by 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. 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. In the year ended 31 March 2011, eight meetings were held. 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 59. **Management meetings** Executive Committee and the management team meet regularly together to review, discuss and make decisions on financial and operational matters. In the year ended 31 March 2011, eight 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 – namely, Audit Committee, Compensation Committee, Executive Committee, Nomination Committee and 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 2011, the Nomination Committee held one meeting 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 were re-elected by the shareholders in the AGM held on 26 August 2010. A meeting of the Nomination Committee was held after the reporting period on 13 June 2011 to consider the re-appointment of two INEDs - Professor CHAN Yuk Shee and Dr LEUNG Kwok Fai Thomas – both of whom have served the Board for more than nine years. Despite their having served for more than nine years, the Committee considered both Directors to be independent and recommended their re-appointments, which were subsequently approved by the Board subject to the approval of shareholders at the forthcoming AGM. Both appointments 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. The Committee held six meetings in 2010/11 at which the risks facing the Group were assessed, reviewed, and monitored on a regular basis.

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 26 August 2010. 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. Following the adoption of electronic means to communicate with Shareholders and with the consent of Shareholders, majority of our corporate communications are sent or supplied to Shareholders by making them available on our website www.sasa.com. As an environment-conscious corporate citizen, the Company thanks Shareholders for playing their part in protecting the environment.

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 enhance transparency at all levels.

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 website (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 executive directors or management team explains the Group's business performance and future direction. Since the third quarter of financial year 2008/09, the Group has undertaken a voluntary announcement of unaudited quarterly results. 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. In addition to individual meetings with analysts, institutional investors and fund managers, the Group also participated in various roadshows and conferences during the year. These are summarised as follows:

Date	Event	Organiser	Location
March 2011	Asian Investment Conference	Credit Suisse	Hong Kong
March 2011	Hong Kong/China Mini Conference	Citigroup	Hong Kong
March 2011	Hong Kong China Corporate Day	UBS	Hong Kong
February 2011	Asia Pacific Investor Conference	Citigroup	Singapore
January 2011	Hong Kong/ China Access Day	CLSA	Hong Kong
January 2011	China Consumer Trading Up Corporate Day	Goldman Sachs	Hong Kong
January 2011	China & Hong Kong Consumer Corporate Day	Credit Suisse	Hong Kong
December 2010	Roadshow	HSBC	San Francisco, New York & Boston
December 2010	Roadshow	Mitsubishi UFJ	New York
November 2010	Emerging Companies Corporate Access Day	Standard Chartered	Hong Kong
November 2010	Roadshow	DBS	Singapore
November 2010	Roadshow	Credit Suisse	Hong Kong
October 2010	Greater China Investor Conference	Citigroup	Macau
October 2010	China Consumer Conference	HSBC	Hong Kong
October 2010	Consumer Corporate Day	UOB Kay Hian	Singapore
September 2010	Roadshow	Mitsubishi UFJ	Tokyo
September 2010	China Consumer Access	Royal Bank of Scotland	Hong Kong
July 2010	Roadshow	BOCI	Shenzhen & Shanghai
June 2010	Roadshow	Deutsche Bank	Hong Kong & Singapore
June 2010	Consumer Day	UBS	Hong Kong
May 2010	Roadshow	Nomura	San Francisco, Chicago & New York
April 2010	Roadshow	Nomura	Tokyo

E. Communication with shareholders (continued)

E.1. Effective communication (continued)

Investor Relations (continued)

The last shareholders' meeting was the AGM held on 26 August 2010 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. Particulars of the major items considered at the AGM are set out in the circular dated 9 July 2010. All proposed ordinary resolutions were passed by way of poll votings at the AGM.

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 Listing Rules provisions which came into effect on 1 January 2009. The detailed procedures are explained at the commencement of the meetings by the 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 by separate resolutions on 25 August 2008. On 16 June 2011, on the recommendation of the Nomination Committee, the Board offered independent non-executive directorships to these two directors a further term of three years commencing on 1 November 2011 and 1 January 2012 respectively, subject to approval of the Shareholders at the forthcoming AGM. The Board believes that they continue to be independent and would be able to serve the Company well because of their in-depth knowledge of the Group's business built up over the years.

(e) Pursuant to A.4.4 to A.4.6 of the CG Code, the Company established a Nomination Committee on 31 March 2005 of 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.

(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. The Audit Committee comprises only INEDs. The NEDs have 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 details of which is set out on page 59 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. Additionally, there is a Conflict of Interest Policy which provides for a reporting mechanism for declaring any personal or private interest of an employee when his/her interest conflicts with the interest of the Group.

(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 72 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 2011.

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 96.

An interim dividend of 1.5* HK cents (2010: 1.5* HK cents) per share and a special dividend of 3.0* HK cents (2010: 3.0* HK cents) per share were paid on 24 December 2010. The Directors recommend the payment of a final dividend of 2.5 HK cents (2010: 2.5* HK cents) per share and a special dividend of 7.0 HK cents (2010: 7.0* HK cents) per share, such dividends will be proposed at the AGM on Thursday, 25 August 2011 and are payable to shareholders whose names appear on the Register of Members of the Company on 25 August 2011. Total dividends paid and to be declared in respect of the year ended 31 March 2011 amounted to HK$392,397,000.

Financial summary

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

	2011 HK$'000	As restated 2010 HK$'000	As restated 2009 HK$'000	As restated 2008 HK$'000	As restated 2007 HK$'000
Key income statement items					
Turnover					
– Continuing operations	**4,901,364**	4,111,345	3,608,990	3,221,429	2,676,816
– Discontinued operations	**–**	–	–	231,658	212,421
	4,901,364	4,111,345	3,608,990	3,453,087	2,889,237
Operating profit/(loss)					
– Continuing operations	**608,267**	459,324	370,907	323,525	248,051
– Discontinued operations	**–**	–	–	3,962	(186)
	608,267	459,324	370,907	327,487	247,865
Profit before income tax					
– Continuing operations	**613,526**	465,736	384,103	348,347	271,134
– Discontinued operations	**–**	–	–	72,775	947
	613,526	465,736	384,103	421,122	272,081
Income tax expenses					
– Continuing operations	**(104,256)**	(83,849)	(67,360)	(71,302)	(50,030)
– Discontinued operations	**–**	–	–	(815)	319
	(104,256)	(83,849)	(67,360)	(72,117)	(49,711)
Profit for the year					
– Continuing operations	**509,270**	381,887	316,743	277,045	221,104
– Discontinued operations	**–**	–	–	71,960	1,266
	509,270	381,887	316,743	349,005	222,370

* Adjusted for the 1:1 Bonus Issue.

Financial summary (continued)

	2011 HK$'000	As restated 2010 HK$'000	As restated 2009 HK$'000	As restated 2008 HK$'000	As restated 2007 HK$'000
Key statement of financial position items					
Total assets	**1,876,511**	1,569,485	1,408,912	1,436,062	1,414,726
Total liabilities	**(523,818)**	(384,711)	(291,856)	(333,967)	(471,193)
Net assets	**1,352,693**	1,184,774	1,117,056	1,102,095	943,533
Shareholders' funds					
Share capital	**280,253**	139,131	138,125	137,894	136,862
Reserves	**1,072,440**	1,045,643	978,931	964,201	806,671
	1,352,693	1,184,774	1,117,056	1,102,095	943,533
Key financial information and ratio					
Basic earning per share (HK cents)*(Note 1)*					
– Continuing operations	**18.2**	13.8	11.5	10.1	8.2
– Discontinued operations	**–**	–	–	2.6	0.1
	18.2	13.8	11.5	12.7	8.3
Diluted earning per share (HK cents)*(Note 1)*					
– Continuing operations	**18.1**	13.7	11.5	10.1	8.1
– Discontinued operations	**–**	–	–	2.6	0.1
	18.1	13.7	11.5	12.7	8.2
Dividend per share (HK cents)*(Note 1)*					
Basic	**4.0**	4.0	4.0	4.0	4.0
Special	**10.0**	10.0	7.5	6.5	4.5
Total	**14.0**	14.0	11.5	10.5	8.5
Return on equity	**37.65%**	32.23%	28.36%	31.67%	23.57%
Shareholders' funds at book value per share*(Note 1)*	**0.48**	0.43	0.40	0.40	0.34
Working capital ratio	**3.09**	3.57	4.31	3.76	2.64
Stock turnover days	**109**	90	84	94	90
Total gross retail area*(Note 2)*	**367,443**	298,449	244,829	225,554	205,611

Note 1: Adjusted for the 1:1 Bonus Issue.

Note 2: 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 Group's 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 a 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 share option scheme adopted by the Company on 29 August 2002 (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, to 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 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 16 June 2011, the total number of shares available for issue under the 2002 Share Option Scheme was 115,262,117 shares, which represented 4.11% 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:

During 1 April 2010 to 23 December 2010

Name	Date of grant	Subscription price per Share during 1 Apr 2010 to 23 Dec 2010 (HK$)	Closing price of the Shares immediately before the date on which the options were granted (HK$)	Exercisable period	Vesting period (from the date of grant)	^Closing price of the Shares immediately before the date on which the options were exercised (HK$)	Number of Share Options: Outstanding as at 1 Apr 2010	Granted	Exercised	#Lapsed	Outstanding as at 23 Dec 2010
Directors											
Mr LOOK Guy	26 May 2006	2.965	–	28 Feb 2009 to 25 May 2016	2.75 years	6.44	1,744,422	–	(1,744,422)	–	–
				note (1)	note (1)	6.17 (AVG)	2,248,141	–	(2,248,141)	–	–
				note (1)	note (1)	8.71 (AVG)	2,248,141	–	(2,007,437)	–	240,704
				note (1)	note (1)	–	2,248,140	–	–	–	2,248,140
	2 Mar 2009	2.19	–	28 Feb 2010 to 1 Mar 2019	1 year	–	2,250,000	–	–	–	2,250,000
				28 Feb 2011 to 1 Mar 2019	2 years	–	2,250,000	–	–	–	2,250,000
				29 Feb 2012 to 1 Mar 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

Share options (continued)

Share option schemes (continued)

(II) 2002 Share Option Scheme (continued)

During 1 April 2010 to 23 December 2010 (continued)

Name	Date of grant	Subscription price per Share during 1 Apr 2010 to 23 Dec 2010 (HK$)	Closing price of the Shares immediately before the date on which the options were granted (HK$)	Exercisable period	Vesting period (from the date of grant)	^Closing price of the Shares immediately before the date on which the options were exercised (HK$)	Number of Share Options: Outstanding as at 1 Apr 2010	Granted	Exercised	#Lapsed	Outstanding as at 23 Dec 2010
Employees Under Continuous Employment Contract	30 Oct 2003	1.68	–	30 Oct 2004 to 29 Oct 2013	1 year note (3)	7.56	51,668	–	(23,334)	–	28,334
				30 Oct 2005 to 29 Oct 2013	2 years note (3)	5.95 (AVG)	279,334	–	(159,666)	–	119,668
				30 Oct 2006 to 29 Oct 2013	3 years note (3)	5.74 (AVG)	799,662	–	(536,331)	–	263,331
				note (4)	note (4)	6.05 (AVG)	242,000	–	(97,334)	–	144,666
				note (4)	note (4)	6.20 (AVG)	281,000	–	(171,000)	–	110,000
				30 Oct 2006 to 29 Oct 2013	3 years	6.04 (AVG)	1,004,722	–	(569,328)	–	435,394
	1 Dec 2004 note (5)	3.85	–	2 Dec 2004 to 30 Nov 2014	–	5.35	146,666	–	(146,666)	–	–
				30 Oct 2005 to 30 Nov 2014	2 years	5.35	146,667	–	(146,667)	–	–
				30 Oct 2006 to 30 Nov 2014	3 years	5.35	146,667	–	(146,667)	–	–
				1 Oct 2007 to 30 Nov 2014	3 years	5.35	66,666	–	(66,666)	–	–
				note (6)	note (6)	5.35	26,000	–	(26,000)	–	–
				note (6)	note (6)	5.35	25,000	–	(25,000)	–	–
	22 Dec 2004	4.15	–	22 Dec 2007 to 21 Dec 2014	3 years from date of employment	5.98 (AVG)	183,333	–	(183,333)	–	–
				note (7)	note (7)	6.06	32,000	–	(32,000)	–	–
	30 Sep 2010	6.32	6.30	30 Sep 2013 to 29 Sep 2020	3 years note (8)	–	–	3,002,000	–	(141,000)	2,861,000
				30 Sep 2013 to 29 Sep 2020	3 years note (9)	–	–	20,000	–	–	20,000
				30 Sep 2013 to 29 Sep 2020	3 years note (10)	–	–	16,000	–	–	16,000
				30 Sep 2013 to 29 Sep 2020	3 years note (11)	–	–	50,000	–	–	50,000
							25,420,229	**3,088,000**	**(8,329,992)**	**(141,000)**	**20,037,237**

^ 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)

During 24 December 2010 to 31 March 2011

Name	Date of grant	Subscription price per Share during 24 Dec 2010 to 31 Mar 2011 note (12) (HK$)	Closing price of the Shares immediately before the date on which the options were granted (HK$)	Exercisable period	Vesting period (from the date of grant)	^Closing price of the Shares immediately before the date on which the options were exercised (HK$)	Number of Share Options: Outstanding as at 24 Dec 2010 note (12)	Granted	Exercised	#Lapsed	Outstanding as at 31 Mar 2011
Directors											
Mr LOOK Guy	26 May 2006	1.4825	–	note (1)	note (1)	4.75	481,408	–	(481,408)	–	–
				note (1)	note (1)	4.75	4,496,280	–	(2,518,592)	–	1,977,688
	2 Mar 2009	1.095	–	28 Feb 2010 to 1 Mar 2019	1 year	–	4,500,000	–	–	–	4,500,000
				28 Feb 2011 to 1 Mar 2019	2 years	–	4,500,000	–	–	–	4,500,000
				29 Feb 2012 to 1 Mar 2019	3 years	–	4,500,000	–	–	–	4,500,000
				note (2)	note (2)	–	4,500,000	–	–	–	4,500,000
				note (2)	note (2)	–	4,500,000	–	–	–	4,500,000
				note (2)	note (2)	–	4,500,000	–	–	–	4,500,000
Employees Under Continuous Employment Contract	30 Oct 2003	0.84	–	30 Oct 2004 to 29 Oct 2013	1 year note (3)	–	56,668	–	–	–	56,668
				30 Oct 2005 to 29 Oct 2013	2 years note (3)	–	239,336	–	–	–	239,336
				30 Oct 2006 to 29 Oct 2013	3 years note (3)	–	526,662	–	–	–	526,662
				note (4)	note (4)	4.85	289,332	–	(20,000)	–	269,332
				note (4)	note (4)	4.85	220,000	–	(52,000)	–	168,000
				30 Oct 2006 to 29 Oct 2013	3 years	4.78 (AVG)	870,788	–	(173,332)	–	697,456
	30 Sep 2010	3.16	–	30 Sep 2013 to 29 Sep 2020	3 years note (8)	–	5,722,000	–	–	(500,000)	5,222,000
				30 Sep 2013 to 29 Sep 2020	3 years note (9)	–	40,000	–	–	–	40,000
				30 Sep 2013 to 29 Sep 2020	3 years note (10)	–	32,000	–	–	–	32,000
				30 Sep 2013 to 29 Sep 2020	3 years note (11)	–	100,000	–	–	–	100,000
							40,074,474	**-**	**(3,245,332)**	**(500,000)**	**36,329,142**

^ 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 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 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 grantee, Ms KWOK Lai Kwan Anna, is an associate of the chief executive and directors of the Company.

(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 her not later than 30 November 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 21 December 2014.

(8) On 30 September 2010, the Company granted share options to certain employees of the Company in order to reward them for contributing to the long term success of the Group's business; and to encourage and motivate them to continue to contribute to the success of the Group's business.

(9) The grantee, Ms KWOK Lai Kwan Anna, is an associate of the chief executive and directors of the Company. A relevant announcement dated 30 September 2010 has been published pursuant to the Listing Rules.

(10) The grantee, Mr KWOK Siu Hung Vincent, is an associate of the chief executive and directors of the Company. A relevant announcement dated 30 September 2010 has been published pursuant to the Listing Rules.

(11) The grantee, Mr LAW Kin Ming Peter, is an associate of the chief executive and directors of the Company. A relevant announcement dated 30 September 2010 has been published pursuant to the Listing Rules.

(12) The subscription price per share and the number of outstanding options were adjusted on 24 December 2010 as a result of the 1:1 Bonus Issue. For details, please refer to the announcement published by the Company on 20 December 2010.

The weighted average fair value of share options granted during the year are determined using the binomial lattice model, prepared by Towers Watson Hong Kong Limited, was HK$0.74* per option (2009: Nil). The significant inputs into the model were share price of HK$3.095* at the grant date, exercise price of HK$3.16*, volatility of 40.0%, dividend yields of 6.50%, an expected option life of around seven years and an annual risk-free interest rate of 1.49%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last seven years. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

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

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* Adjusted for the 1:1 Bonus Issue.

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.

Shares issued

(I) Shares issued under the 1:1 Bonus Issue

With approval of the Shareholders at the EGM of the Company held on 20 December 2010, the Company issued 1,399,642,523 bonus shares on the basis of one bonus share for every one then existing Share held on 20 December 2010 pursuant to the 1:1 Bonus Issue. As at 20 December 2010, there were 1,399,642,523 Shares in issue and accordingly the number of bonus shares issued under the 1:1 Bonus Issue was 1,399,642,523. The bonus shares, which rank pari passu in all respects with the Shares then existing, were credited as fully paid by way of capitalisation of an amount of approximately HK$139,964,000 in the share premium account of the Company. For the year ended 31 March 2011, an amount of approximately HK$139,964,000 was transferred from the share premium account to share capital accordingly. For details of the 1:1 Bonus Issue, please refer to the circular dated 1 December 2010 and the announcements dated 18 November 2010 and 20 December 2010 published by the Company.

(II) Shares issued upon exercise of share options granted under the 2002 Share Option Scheme

Details are set out in the Share Options section on page 83 of this report.

Subsidiaries

Details of the Company's principal subsidiaries as at 31 March 2011 are set out in Note 30 to the consolidated financial statements.

Bank loans and overdrafts

As at 31 March 2011, 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 2011, the reserves of the Company available for distribution amounted to HK$653,200,000.

Donations

The Group made donations during the year totaling HK$2,461,000.

Directors

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

Executive directors

Dr KWOK Siu Ming Simon, *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 on 24 June 2010

Mr TAN Wee Seng

– term of directorship extended for a further term of three years commencing on 26 August 2010

Independent non-executive directors

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

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

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

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

Ms TAM Wai Chu Maria, *GBS, JP*

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

Ms KI Man Fung Leonie, *SBS, JP*

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

In accordance with Article 116 of the Articles of Association, Professor CHAN Yuk Shee, Dr LEUNG Kwok Fai Thomas and Ms TAM Wai Chu Maria will retire by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

Pursuant to recommended best practice A.4.3 of the CG Code, the further appointment of any independent non-executive director who has served the Company for more than nine years should be subject to a separate resolution to be approved by Shareholders. Professor CHAN Yuk Shee and Dr LEUNG Kwok Fai Thomas have served as directors of the Company for more than nine years. The board has set out in the circular to Shareholders dated 30 June 2011 the reasons why it believes they continue to be independent and why they should be re-elected.

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

The updated biographical details of the Directors since the date of the Company's interim report published on 1 December 2010 are set out on pages 49 to 51 of this annual report.

Directors' service contracts

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 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 2011, 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)	–	–	1,797,012,800	–	1,797,012,800	64.12%
	Beneficial Owner	40,728,000	–	–	–	40,728,000	1.45%
Dr KWOK LAW Kwai Chun Eleanor	Interests of a controlled corporation (Note)	–	–	1,797,012,800	–	1,797,012,800	64.12%
Mrs LEE LOOK Ngan Kwan Christina	Interests of a controlled corporation	–	–	296,000	–	296,000	0.01%
	Beneficial Owner	2,000,000	–	–	–	2,000,000	0.07%
Professor CHAN Yuk Shee	Beneficial Owner	2,300,000	–	–	–	2,300,000	0.08%
Ms TAM Wai Chu Maria	Beneficial Owner	2,000,000	–	–	–	2,000,000	0.07%

Note: These shares are held as to 1,393,560,000 shares by Sunrise Height Incorporated and as to 403,452,800 shares by Green Ravine Limited. Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor.

Details of the interests of directors and chief executive in the derivatives interests in the Company for the year ended 31 March 2011 are disclosed in the Share Options section on page 83 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 ("Base Sun"), Matford Trading Limited ("Matford"), Sa Sa Cosmetic Company Limited and Sa Sa Investment (HK) Limited (formerly known as 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 (HK) 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 (HK) 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 together hold two Deferred Shares in Base Sun through Win Win Group International Limited (formerly known as Link Capital Investment Limited) ("Win Win") and Modern Capital Investment Limited ("Modern Capital"). Win Win and Modern Capital are companies owned as to 50% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor and each of Win Win and Modern Capital holds one Deferred Share in Base Sun.

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

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

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

Directors' benefits from rights to acquire shares or debentures

Save as disclosed under the Share Options section on page 83, 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 2011, shareholders, other than a Director or chief executive, who had interests and short positions in the shares and underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are as follows:

Long position of substantial shareholders in the shares of the Company

Name of company	Capacity	No. of shares held	Approximate percentage of shareholding
Sunrise Height Incorporated	Beneficial owner	1,393,560,000 (Note)	49.73%
Green Ravine Limited	Beneficial owner	403,452,800 (Note)	14.40%

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. A resolution to re-appoint them and to authorise the Directors to fix their renumeration will be proposed at the AGM to be held on 25 August 2011.

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

Hong Kong, 16 June 2011

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SA SA INTERNATIONAL HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sa Sa International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 96 to 147, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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

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 2011, 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, 16 June 2011

Consolidated Income Statement

For the year ended 31 March 2011

	Note	2011 HK$'000	As restated[Δ] 2010 HK$'000
Turnover	5	**4,901,364**	4,111,345
Cost of sales		**(2,689,484)**	(2,296,481)
Gross profit		**2,211,880**	1,814,864
Other income	5	**30,437**	26,397
Selling and distribution costs		**(1,463,737)**	(1,214,725)
Administrative expenses		**(181,435)**	(165,510)
Other gains/(losses) – net	6	**11,122**	(1,702)
Operating profit		**608,267**	459,324
Finance income		**5,259**	6,412
Profit before income tax	7	**613,526**	465,736
Income tax expenses	10	**(104,256)**	(83,849)
Profit for the year		**509,270**	381,887
Earnings per share (expressed in HK cents per share)	12		
Basic		**18.2***	13.8*
Diluted		**18.1***	13.7*
Dividends	13	**392,397**	389,625

The notes on pages 103 to 147 are an integral part of these consolidated financial statements.

* Adjusted for the 1:1 Bonus Issue.

Δ The comparatives have been restated for adoption of HKAS17 (amendment) and change in accounting policy for buildings.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	2011 HK$'000	As restated[Δ] 2010 HK$'000
Profit for the year	**509,270**	381,887
Other comprehensive income		
Currency translation differences	**18,643**	14,919
Other comprehensive income for the year, net of tax	**18,643**	14,919
Total comprehensive income for the year	**527,913**	396,806

The notes on pages 103 to 147 are an integral part of these consolidated financial statements.

Δ The comparatives have been restated for adoption of HKAS17 (amendment) and change in accounting policy for buildings.

Consolidated Statement of Financial Position

As at 31 March 2011

	Note	2011 HK$'000	As restated[Δ] 2010 HK$'000	As restated[Δ] 2009 HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	14	**205,465**	148,231	136,468
Investment property	16	**–**	11,700	10,000
Rental deposits and other assets	18	**105,891**	92,212	63,885
Deferred income tax assets	19	**4,961**	3,468	2,657
		316,317	255,611	213,010
Current assets				
Inventories	20	**802,185**	563,159	468,670
Trade receivables	21	**48,231**	38,589	25,280
Other receivables, deposits and prepayments	21	**91,364**	65,818	81,456
Time deposits	22	**94,134**	253,728	35,863
Cash and cash equivalents	22	**524,280**	392,580	584,633
		1,560,194	1,313,874	1,195,902
LIABILITIES				
Current liabilities				
Trade and bills payables	23	**254,416**	175,912	144,475
Other payables and accruals		**200,347**	156,337	111,397
Income tax payable		**50,757**	35,372	21,851
		505,520	367,621	277,723
Net current assets		**1,054,674**	946,253	918,179
Total assets less current liabilities		**1,370,991**	1,201,864	1,131,189
Non-current liabilities				
Retirement benefit obligations	24	**3,863**	4,111	4,193
Deferred income tax liabilities	19	**348**	1,964	679
Other payables		**14,087**	11,015	9,261
		18,298	17,090	14,133
Net assets		**1,352,693**	1,184,774	1,117,056

Δ The comparatives have been restated for adoption of HKAS17 (amendment) and change in accounting policy for buildings.

	Note	2011 HK$'000	As restated[Δ] 2010 HK$'000	As restated[Δ] 2009 HK$'000
EQUITY				
Capital and reserves				
Share capital	25	**280,253**	139,131	138,125
Reserves	26	**1,072,440**	1,045,643	978,931
Total equity		**1,352,693**	1,184,774	1,117,056

On behalf of the Board

KWOK Siu Ming Simon
Director

KWOK LAW Kwai Chun Eleanor
Director

The notes on pages 103 to 147 are an integral part of these consolidated financial statements.

Δ The comparatives have been restated for adoption of HKAS17 (amendment) and change in accounting policy for buildings.

Statement of Financial Position

As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries	17	**911,458**	617,058
Other assets	18	**750**	750
		912,208	617,808
Current assets			
Other receivables, deposits and prepayments		**315**	292
Time deposits	22	**25,000**	193,687
Cash and cash equivalents	22	**26,846**	95,621
		52,161	289,600
LIABILITIES			
Current liabilities			
Other payables and accruals		**6,213**	5,838
Net current assets		**45,948**	283,762
Total assets less current liabilities		**958,156**	901,570
EQUITY			
Capital and reserves			
Share capital	25	**280,253**	139,131
Reserves	26	**677,903**	762,439
Total equity		**958,156**	901,570

On behalf of the Board

KWOK Siu Ming Simon
Director

KWOK LAW Kwai Chun Eleanor
Director

The notes on pages 103 to 147 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Cash generated from operations	27	**535,236**	484,740
Hong Kong profits tax paid		**(80,897)**	(60,831)
Overseas tax paid		**(11,236)**	(9,255)
Net cash generated from operating activities		**443,103**	414,654
Cash flows from investing activities			
Purchase of property, plant and equipment	14	**(136,711)**	(74,112)
Proceeds from disposal of property, plant and equipment		**1,179**	280
Proceeds from disposal of investment property	16	**12,300**	–
Purchase of other assets	18	**(4,802)**	–
Decrease/(increase) in time deposits	22	**159,594**	(217,865)
Interest received		**3,611**	4,632
Net cash generated from/(used in) investing activities		**35,171**	(287,065)
Cash flows from financing activities			
Proceeds from shares issued upon exercise of options	25(a)	**28,100**	26,670
Dividends paid to company's shareholders		**(391,277)**	(359,950)
Net cash used in financing activities		**(363,177)**	(333,280)
Net increase/(decrease) in cash and cash equivalents		**115,097**	(205,691)
Cash and cash equivalents at beginning of year	22	**392,580**	584,633
Effect of foreign exchange rate changes		**16,603**	13,638
Cash and cash equivalents at end of year	22	**524,280**	392,580

The notes on pages 103 to 147 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Note	Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 April 2009, as previously reported		138,125	984,624	1,122,749
Effect of change in accounting policy (Note 2(a))		–	(5,693)	(5,693)
At 1 April 2009, as restated		138,125	978,931	1,117,056
Profit for the year, as restated		–	381,887	381,887
Other comprehensive income:				
Currency translation differences		–	14,919	14,919
Total comprehensive income for the year		–	396,806	396,806
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	26(a)	–	(235,147)	(235,147)
2009/2010 Interim dividend	26(a)	–	(41,601)	(41,601)
2009/2010 Special dividend	26(a)	–	(83,202)	(83,202)
Balance at 31 March 2010, as restated		139,131	1,045,643	1,184,774
Balance at 1 April 2010, as previously reported		**139,131**	**1,056,739**	**1,195,870**
Effect of change in accounting policy (Note 2(a))		**–**	**(11,096)**	**(11,096)**
At 1 April 2010, as restated		**139,131**	**1,045,643**	**1,184,774**
Profit for the year		**–**	**509,270**	**509,270**
Other comprehensive income:				
Currency translation differences		**–**	**18,643**	**18,643**
Total comprehensive income for the year		**–**	**527,913**	**527,913**
1:1 Bonus Issue	26(a)	**139,964**	**(139,964)**	**–**
Employee share option scheme:				
Value of employee services		**–**	**3,183**	**3,183**
Proceeds from shares issued upon exercise of options	25(a) & 26(a)	**1,158**	**26,942**	**28,100**
Dividends				
2009/2010 Final and Special dividends	26(a)	**–**	**(265,309)**	**(265,309)**
2010/2011 Interim dividend	26(a)	**–**	**(41,989)**	**(41,989)**
2010/2011 Special dividend	26(a)	**–**	**(83,979)**	**(83,979)**
Balance at 31 March 2011		**280,253**	**1,072,440**	**1,352,693**

The notes on pages 103 to 147 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 2011, 49.72% of the total issued shares of the Company were owned by Sunrise Height Incorporated, a company incorporated in the British Virgin Islands. The directors regard Sunrise Height Incorporated, which was owned 50.0% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor, as being the ultimate holding company of the Company.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 16 June 2011.

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.

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) Amended standard adopted by the Group

The following amendment to standard is mandatory for the first time for the financial year beginning 1 April 2010.

HKAS 17 (amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land" and amortised over the lease term.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Amended standard adopted by the Group (continued)

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 April 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1 April 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The accounting for land interest classified as finance lease is as below:

- If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the lease term.

- If the property interest is held to earn rentals and/or for capital appreciation, that land interest is accounted for as investment property.

The effect of adoption of this amendment is analysed on page 107.

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 April 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

HKFRS 2 (amendments), “Group cash-settled share-based payment transactions”, effective from 1 January 2010. In addition to incorporating HK(IFRIC) 8, “Scope of HKFRS 2”, and HK(IFRIC) 11, “HKFRS 2 – Group and treasury share transactions”, the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of Group arrangements that were not covered by that interpretation.

HKFRS 3 (revised), “Business combinations”, and consequential amendments to HKAS 27, “Consolidated and separate financial statements”, HKAS 28, “Investments in associates”, and HKAS 31, “Interests in joint ventures”, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKFRS 5 (amendment), “Non-current assets held for sale and discontinued operations”. The amendment clarifies that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

HK(IFRIC) 9, “Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement”, effective from 1 July 2009. This amendment to HK(IFRIC) 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the “fair value through profit or loss” category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 April 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) (continued)

HK(IFRIC) 16, "Hedges of a net investment in a foreign operation", effective from 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied. In particular, the Group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group.

HK(IFRIC) 17, "Distribution of non-cash assets to owners" is effective on or after 1 July 2009. The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

HK(IFRIC) 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of HKFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

HKFRS 1 (amendment), "Additional exemptions for first-time adopters" is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.

HKAS 1 (amendment), "Presentation of financial statements". The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

HKAS 36 (amendment), "Impairment of assets", effective from 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, "Operating segments" (that is, before the aggregation of segments with similar economic characteristics).

HKAS 38 (amendment), "Intangible assets", effective from 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

HKAS 39 (amendment), "Eligible hedged items" is effective for annual period on or after 1 July 2009.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 April 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) (continued)

HK Int 5, "Presentation of financial statements – classification by the borrower of a term loan that contains a repayment of demand clause" is effective upon issuance on 29 November 2010.

The improvement related to HKFRS 5, "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009, which was part of the first improvements to Hong Kong Financial Reporting Standards (2008) issued in October 2008 by the HKICPA.

Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA and effective for financial year beginning on 1 April 2010. All improvements are not relevant except HKAS 17 (amendment) "Leases".

(iii) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 April 2010 and have not been early adopted

HKFRS 1 (amendment), "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters" (effective for annual periods beginning on or after 1 July 2010).

HKFRS 7 (amendment), "Financial instruments: Disclosures-transfers to financial assets" (effective for annual periods beginning on or after 1 July 2011).

HKFRS 9, "Financial instruments" (effective for annual periods beginning on or after 1 January 2013).

HKAS 12 (amendment), "Deferred tax: Recovery of underlying assets" (effective for annual periods beginning on or after 1 January 2012).

HKAS 24 (revised), "Related party disclosures" (effective for annual periods beginning on or after 1 January 2011).

HKAS 32 (amendment), "Classification of rights issues" (effective from annual periods beginning on or after 1 January 2011).

HK(IFRIC) 14 (amendment), "Prepayments of a minimum funding requirement" (effective for annual periods beginning on or after 1 January 2011).

HK(IFRIC) 19, "Extinguishing financial liabilities with equity instruments" (effective for annual periods beginning on or after 1 July 2010).

Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA (effective for financial year beginning on 1 April 2011).

The Group has already commenced an assessment of the related impact of adopting of the above new and revised standards, interpretations and amendments to existing standards and new interpretations to the Group.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Change in accounting policy

The Group has changed its accounting policy for measurement of leasehold building to cost less accumulated depreciation (the "cost model") instead of fair value amounts less subsequent depreciation. This change means that the building component and the more significant land component of property leases are measured on the same cost basis. The change has been applied retrospectively to remaining useful lives at the date of change of accounting policy.

The effect of adoption of HKAS 17 (amendment) and change in accounting policy on the consolidated income statement is as follows:

	2011		2010	
	HKAS 17 (amendment) for land HK$'000	Change to cost model for buildings HK$'000	HKAS 17 (amendment) for land HK$'000	Change to cost model for buildings HK$'000
(Increase)/decrease in depreciation under administrative expenses	(797)	1,852	(797)	792
Decrease in amortisation of leasehold land under administrative expenses	797	–	797	–
Total increase in profit for the year	–	1,852	–	792
Increase in basic earnings per share	–	0.1 cent	–	–
Increase in diluted earnings per share	–	0.1 cent	–	–

The effect of adoption of HKAS 17 (amendment) and change in accounting policy on the consolidated statement of financial position is as follows:

	As at 31 March 2011		As at 31 March 2010		As at 1 April 2009	
	HKAS 17 (amendment) for land HK$'000	Change to cost model for buildings HK$'000	HKAS 17 (amendment) for land HK$'000	Change to cost model for buildings HK$'000	HKAS 17 (amendment) for land HK$'000	Change to cost model for buildings HK$'000
Increase/(decrease) in property, plant and equipment	26,370	(10,940)	27,167	(12,792)	27,964	(6,270)
Decrease in leasehold land	(26,370)	–	(27,167)	–	(27,964)	–
Decrease in deferred income tax liabilities	–	(1,390)	–	(1,696)	–	(577)
Decrease in building revaluation reserve	–	(7,036)	–	(8,582)	–	(2,919)
Decrease in retained earnings	–	(2,514)	–	(2,514)	–	(2,774)

2 Summary of significant accounting policies (continued)

(b) Consolidation

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

Subsidiaries are 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 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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Inter-company transactions, balances and unrealised gains on transactions between the 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 comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. 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 an accrual basis in accordance with the substance of the relevant agreements.

2 Summary of significant accounting policies (continued)

(d) Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2 (g)).

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

(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 and is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in other income.

2 Summary of significant accounting policies (continued)

(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 receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (Note 21), "time deposits" (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 date when the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 2 (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 receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

(k) Cash and cash equivalents

In the consolidated statement of cash flows, 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. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

(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.

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, 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.

2 Summary of significant accounting policies (continued)

(n) Current and deferred income tax (continued)

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.

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

(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 in other comprehensive income.

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 other comprehensive income. 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.

2 Summary of significant accounting policies (continued)

(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 and the Company'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 dollars, Euro or Renminbi. The Group minimises its foreign exchange exposure by way of buying against order at spot or entering into foreign currency forward contracts and maintain no long position. The hedging policies are reviewed by the Group regularly.

As at 31 March 2011, if Hong Kong dollar had weakened/strengthened by 1% against Euro with all other variables held constant, profit for the year would have been higher/lower by HK$800,000 (2010: HK$351,000), mainly as a result of foreign exchange gains/losses on translation of Euro-denominated cash and bank balances and financial liabilities.

As at 31 March 2011, if Hong Kong dollars had weakened/strengthened by 1% against Renminbi with all other variables held constant, profit for the year would have been higher/lower by HK$650,000 (2010: Nil), mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated cash and bank balances and financial liabilities.

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 2011, 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 90 days from the date of billings. As at 31 March 2011, 99.9% of the total trade receivables were due within 90 days (2010: 97.1%). The maximum exposure to credit risk is represented by the carrying amount of trade receivables in the consolidated statement of financial position. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 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, 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 2011, the Group's financial liabilities were mainly trade and bills payables and other payables amounting to HK$331,407,000 (2010: HK$240,035,000), 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 borrowings 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 2011, the Group did not recognise deferred income tax assets of HK$36,644,000 in respect of losses amounting to HK$161,428,000 that could be carried forward against future taxable income as the realisation of the related tax benefit through future taxable profit is not probable. 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 2011, after reviewing the business environment as well as the Group's objectives and past performance of the investments, management has concluded that there was no material impairment loss for the above assets at 31 March 2011.

(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.

4 Critical accounting estimates and judgements (continued)

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

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

During the year, management carried out an extensive review of the useful lives of the Group's buildings to better align the different building useful lives, and by reference to the independent professional valuer's recommendation that it is appropriate to extend the estimated useful lives of some buildings from 20 years to 33-36 years. This change in accounting estimate has been accounted for prospectively, which resulted in an increase in profit before income tax for the year ended 31 March 2011 of HK$411,000.

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	
	2011	2010
	HK$'000	HK$'000
Turnover		
Retail and wholesale	**4,901,364**	4,111,345
Other income		
Slide display rental income	**30,198**	25,583
Rental income	**239**	814
	30,437	26,397
	4,931,801	4,137,742

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

5 Revenues, turnover and segment information (continued)

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

	For the year ended 31 March 2011			
	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
Turnover	3,922,596	145,472	833,296	4,901,364
Results				
Segment results	475,356	(22,479)	56,393	509,270
Other information				
Capital expenditure	80,413	24,243	32,055	136,711
Finance income	3,109	115	2,035	5,259
Income tax expenses	94,827	–	9,429	104,256
Depreciation	50,652	10,992	17,533	79,177

	For the year ended 31 March 2010 (As restated)			
	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	347,545	(18,580)	52,922	381,887
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	41,331	7,497	13,553	62,381

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 2011				
Non-current assets	**213,549**	**31,332**	**60,923**	**305,804**
Current assets	**1,144,368**	**103,095**	**312,731**	**1,560,194**
Deferred income tax assets				**4,961**
Unallocated corporate assets				**5,552**
				1,876,511
At 31 March 2010 (As restated)				
Non-current assets	197,038	16,471	37,884	251,393
Current assets	1,020,742	56,305	236,827	1,313,874
Deferred income tax assets				3,468
Unallocated corporate asset				750
				1,569,485

6 Other gains / (losses) – net – Group

	2011 HK$'000	2010 HK$'000
Fair value gain on investment property (Note 16)	**–**	1,700
Gain on disposal of investment property	**600**	–
Net exchange gains/(losses)	**10,522**	(3,402)
	11,122	(1,702)

7 Expenses by nature – Group

	2011 HK$'000	As restated 2010 HK$'000
Cost of inventories sold	**2,678,787**	2,289,556
Provision for slow moving inventories and stock shrinkage	**10,697**	6,925
Employee benefit expenses (including directors' emoluments) (Note 8)	**657,200**	554,750
Depreciation of property, plant and equipment (Note 14)	**79,177**	62,381
Write-off of property, plant and equipment (Note 14)	**1,832**	1,473
Provision for impairment losses on trade receivables (Note 21)	**–**	293
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**457,794**	380,550
– contingent rent	**26,632**	16,571
Auditors' remuneration	**3,155**	2,904
Advertising and promotion expenses	**92,659**	82,550
Others	**326,723**	278,763
	4,334,656	3,676,716
Representing:		
Cost of sales	**2,689,484**	2,296,481
Selling and distribution costs	**1,463,737**	1,214,725
Administrative expenses	**181,435**	165,510
	4,334,656	3,676,716

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

	2011 HK$'000	2010 HK$'000
Directors' fees	**1,592**	1,356
Wages, salaries, housing allowances, other allowances and benefits-in-kind	**622,909**	525,792
Provision for unutilised annual leave	**3,619**	1,335
Retirement benefit costs (Note 24(b))	**25,897**	22,075
Share-based payment	**3,183**	4,192
	657,200	554,750

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 (2010: HK$257,400) each; and for those acting as chairman of Audit Committee, Compensation Committee and Nomination Committee ("the Committees"), an additional fee of HK$8,000 (2010: HK$8,000) is paid for their presiding at each of the Committee meetings.

The remuneration of each director of the Company during the year ended 31 March 2011 is set out below:

	Directors' fees HK$'000	Basic salaries, consultancy fee, housing allowances, other allowances and benefits-in-kind HK$'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	181	–	2,991
Mr LOOK Guy	–	3,180	530	223	2,516	6,449
Non-executive Directors						
Mrs LEE LOOK Ngan Kwan Christina	257	–	–	–	–	257
Mr TAN Wee Seng	257	901	–	–	–	1,158
Independent Non-executive Directors						
Professor CHAN Yuk Shee *PhD, BBS, J.P*	281	–	–	–	–	281
Dr LEUNG Kwok Fai Thomas *PhD, BBS, J.P*	274	–	–	–	–	274
Ms TAM Wai Chu Maria *GBS, JP*	266	–	–	–	–	266
Ms KI Man Fung Leonie *SBS, JP*	257	–	–	–	–	257
	1,592	9,533	984	604	2,516	15,229

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 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	15	–	–	–	–	15
Independent Non-executive Directors						
Professor CHAN Yuk Shee *PhD, BBS, J.P*	297	–	–	–	–	297
Dr LEUNG Kwok Fai Thomas *PhD, BBS, J.P*	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

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 years ended 31 March 2011 and 2010, no share options were granted to the executive directors under the 2002 Share Option Scheme.

No compensation for loss of office has been paid to the directors for the years ended 31 March 2011 and 2010.

No director of the Company waived any emoluments during the years ended 31 March 2011 and 2010.

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 (2010: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2010: two) individuals during the year were as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,738**	2,770
Discretionary bonuses	**669**	750
Retirement benefit costs	**363**	345
Share-based payment	**37**	–
	3,807	3,865

The emoluments of the individuals fell within the following bands:

Emoluments bands	Number of individuals 2011	2010
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% (2010: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2011 HK$'000	2010 HK$'000
Hong Kong profits tax		
Current	**94,179**	72,625
Under provision in previous years	**96**	158
Overseas taxation		
Current	**13,192**	10,781
Over provision in previous years	**(336)**	(400)
Deferred income tax relating to origination and reversal of temporary differences (Note 19)	**(2,875)**	685
	104,256	83,849

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:

	2011 HK$'000	As restated 2010 HK$'000
Profit before income tax	**613,526**	465,736
Tax calculated at a taxation rate of 16.5% (2010: 16.5%)	**101,232**	76,846
Effect of different taxation rates in other countries	**(260)**	(245)
Income not subject to income tax	**(525)**	(870)
Expenses not deductible for income tax purposes	**3,042**	3,729
Utilisation of previously unrecognised tax losses	**(1,115)**	(66)
Recognition of previously unrecognised deferred tax assets	**(2,420)**	–
Unrecognised tax losses	**4,542**	4,697
Over provision in previous years	**(240)**	(242)
Income tax expenses	**104,256**	83,849

The weighted average applicable tax rate was 17.0% (2010: 18.0%).

11 Profit for the year

Profit for the year is dealt with in the financial statements of the Company to the extent of HK$416,580,000 (2010: HK$326,296,000).

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$509,270,000 (2010: HK$381,887,000 as restated).

(b) The calculation of basic earnings per share is based on the weighted average number of 2,792,062,499* (2010: 2,768,259,120*) 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 2,792,062,499* (2010: 2,768,259,120*) shares in issue during the year plus the weighted average number of 20,799,350* (2010: 18,159,680*) 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.

* Adjusted for the 1:1 Bonus Issue.

13 Dividends – Company

	2011 HK$'000	2010 HK$'000
Interim, paid – 1.5* HK cents (2010: 1.5* HK cents) per share	**41,989**	41,601
Special, paid – 3.0* HK cents (2010: 3.0* HK cents) per share	**83,979**	83,202
Final, proposed – 2.5 HK cents (2010: 2.5* HK cents) per share	**70,113**	69,690
Special, proposed – 7.0 HK cents (2010: 7.0* HK cents) per share	**196,316**	195,132
	392,397	389,625

At a meeting held on 16 June 2011, the directors proposed a final dividend of 2.5 HK cents and a special dividend of 7.0 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 2012 if approved by shareholders.

* Adjusted for the 1:1 Bonus Issue.

14 Property, plant and equipment – Group

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles and vessel HK$'000	Total HK$'000
Year ended 31 March 2011					
Opening net book amount	24,813	72,803	33,783	2,457	133,856
Adjustment for adoption of HKAS 17 (amendment) (Note 2(a))	27,167	–	–	–	27,167
Effect of change in accounting policy (Note 2(a))	(12,792)	–	–	–	(12,792)
Opening net book amount, as restated	39,188	72,803	33,783	2,457	148,231
Exchange differences	–	1,468	720	5	2,193
Additions	18,175	89,376	27,512	1,648	136,711
Disposals	–	(549)	(112)	–	(661)
Write-off	–	(1,175)	(657)	–	(1,832)
Depreciation	(2,485)	(57,513)	(18,002)	(1,177)	(79,177)
Closing net book amount	**54,878**	**104,410**	**43,244**	**2,933**	**205,465**
At 31 March 2011					
Cost	**85,964**	**336,591**	**144,714**	**15,440**	**582,709**
Accumulated depreciation	**(31,086)**	**(232,181)**	**(101,470)**	**(12,507)**	**(377,244)**
Net book amount	**54,878**	**104,410**	**43,244**	**2,933**	**205,465**
Year ended 31 March 2010					
Opening net book amount	20,067	63,729	27,468	3,510	114,774
Adjustment for adoption of HKAS 17 (amendment) (Note 2(a))	27,964	–	–	–	27,964
Effect of change in accounting policy (Note 2(a))	(6,270)	–	–	–	(6,270)
Opening net book amount, as restated	41,761	63,729	27,468	3,510	136,468
Exchange differences	–	711	794	8	1,513
Additions	–	52,664	21,269	179	74,112
Disposals	–	–	(8)	–	(8)
Write-off	–	(953)	(520)	–	(1,473)
Depreciation	(2,573)	(43,348)	(15,220)	(1,240)	(62,381)
Closing net book amount, as restated	39,188	72,803	33,783	2,457	148,231

14 Property, plant and equipment – Group (continued)

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles and vessel HK$'000	Total HK$'000
At 31 March 2010					
Cost or valuation, as previously reported	24,813	276,190	120,416	13,688	435,107
Adjustment for adoption of HKAS 17 (amendment) and change in accounting policy (Note 2(a))	42,976	–	–	–	42,976
Cost, as restated	67,789	276,190	120,416	13,688	478,083
Accumulated depreciation, as previously reported	–	(203,387)	(86,633)	(11,231)	(301,251)
Adjustment for adoption of HKAS 17 (amendment) and change in accounting policy (Note 2(a))	(28,601)	–	–	–	(28,601)
Accumulated depreciation, as restated	(28,601)	(203,387)	(86,633)	(11,231)	(329,852)
Net book amount, as restated	39,188	72,803	33,783	2,457	148,231
At 31 March 2009 and 1 April 2009					
Cost or valuation, as previously reported	25,203	236,330	100,197	13,413	375,143
Adjustment for adoption of HKAS 17 (amendment) and change in accounting policy (Note 2(a))	42,586	–	–	–	42,586
Cost, as restated	67,789	236,330	100,197	13,413	417,729
Accumulated depreciation, as previously reported	(5,136)	(172,601)	(72,729)	(9,903)	(260,369)
Adjustment for adoption of HKAS 17 (amendment) and change in accounting policy (Note 2(a))	(20,892)	–	–	–	(20,892)
Accumulated depreciation, as restated	(26,028)	(172,601)	(72,729)	(9,903)	(281,261)
Net book amount, as restated	41,761	63,729	27,468	3,510	136,468

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

15 Leasehold land – Group

	2011 HK$'000	As restated 2010 HK$'000	As restated 2009 HK$'000
Leasehold land	**–**	–	–

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

	2011 HK$'000	As restated 2010 HK$'000
At beginning of the year	**27,167**	27,964
Adjustment for adoption of HKAS 17 (amendment) (Note 2(a))	**(27,167)**	(27,964)
At beginning of the year, as restated	**–**	–

16 Investment property – Group

	2011 HK$'000	2010 HK$'000
At beginning of the year	**11,700**	10,000
Fair value gain (Note 6)	**–**	1,700
Disposal	**(11,700)**	–
At end of the year	**–**	11,700

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

(b) During the year, the Group has gross rental income of HK$239,000 (2010: HK$505,000) from investment property. The amount was included in other income in the income statement.

17 Investments in and amounts due from subsidiaries – Company

	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries (Note (b))	**1,362,389**	1,067,989
Provision for impairment of amounts due from subsidiaries	**(450,932)**	(450,932)
	911,458	617,058

(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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Rental deposits	**100,339**	91,462	**–**	–
Others	**5,552**	750	**750**	750
	105,891	92,212	**750**	750

Rental deposits are carried at amortised cost using the effective interest rate of 0.63%-3.8% per annum. At 31 March 2011, 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% (2010: 16.5%).

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

	2011	2010
	HK$'000	HK$'000
At beginning of the year	**(192)**	1,401
Effect of change in accounting policy (Note 2(a))	**1,696**	577
At beginning of the year, as restated	**1,504**	1,978
Deferred income tax credited/(charged) to the income statement (Note 10)	**2,875**	(685)
Exchange differences	**234**	211
At end of the year	**4,613**	1,504

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$36,644,000 (2010: HK$35,672,000) in respect of losses amounting to HK$161,428,000 (2010: HK$153,575,000) that can be carried forward against future taxable income. Losses amounting to HK$139,185,000 (2010: HK$132,594,000) will expire within 5 and 10 years from 31 March 2011. The remaining tax losses have no expiry date.

19 Deferred income tax – Group (continued)

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

	2011 HK$'000	As restated 2010 HK$'000	As restated 2009 HK$'000
Deferred income tax assets	**4,961**	3,468	2,657
Deferred income tax liabilities	**(348)**	(1,964)	(679)
	4,613	1,504	1,978

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

Deferred income tax assets	Decelerated tax depreciation		Investment property valuation		Provisions		Total	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
At beginning of the year	**539**	416	**226**	237	**3,210**	2,651	**3,975**	3,304
Credited/(charged) to the income statement	**2,794**	102	**(226)**	(11)	**462**	373	**3,030**	464
Exchange differences	**4**	21	**–**	–	**194**	186	**198**	207
At end of the year	**3,337**	539	**–**	226	**3,866**	3,210	**7,203**	3,975

Deferred income tax liabilities	Accelerated tax depreciation		Fair value gain		Total	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
At beginning of the year	**2,471**	1,326	**1,696**	577	**4,167**	1,903
Effect of change in accounting policy (Note 2(a))	**–**	–	**(1,696)**	(577)	**(1,696)**	(577)
At beginning of year, as restated	**2,471**	1,326	**–**	–	**2,471**	1,326
Charged to the income statement	**155**	1,149	**–**	–	**155**	1,149
Exchange differences	**(36)**	(4)	**–**	–	**(36)**	(4)
At end of the year (Note (a))	**2,590**	2,471	**–**	–	**2,590**	2,471

Note:

(a) The deferred income tax liabilities as at 31 March 2010 have been restated.

20 Inventories – Group

	2011 HK$'000	2010 HK$'000
Merchandise stock for resale	**802,185**	563,159

The cost of inventories recognised as expense and included in cost of sales amounted to HK$2,678,787,000 (2010: HK$2,289,556,000).

During the year, the Group has made a provision of HK$10,697,000 for slow moving inventories and stock shrinkage (2010: HK$6,925,000). The amount was included in cost of sales in the consolidated income statement.

21 Trade and other receivables, deposits and prepayments – Group

	2011 HK$'000	2010 HK$'000
Trade receivables	**48,616**	38,969
Less: provision for impairment losses on trade receivables	**(385)**	(380)
Trade receivables – net	**48,231**	38,589
Other receivables, deposits and prepayments	**91,364**	65,818

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

	2011 HK$'000	2010 HK$'000
Within 1 month	**39,670**	29,544
1 to 3 months	**8,522**	7,933
Over 3 months	**39**	1,112
	48,231	38,589

As at 31 March 2011, trade receivables of HK$1,025,000 (2010: HK$3,052,000) 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:

	2011 HK$'000	2010 HK$'000
1 to 3 months	**844**	2,997
Over 3 months	**181**	55
	1,025	3,052

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

Trade receivables are denominated in the following currencies:

	2011 HK$'000	2010 HK$'000
Hong Kong dollar	**23,552**	20,093
Renminbi	**13,911**	9,681
Taiwan dollar	**5,559**	4,667
Others	**5,209**	4,148
	48,231	38,589

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

	2011 HK$'000	2010 HK$'000
At 1 April	**380**	87
Provision for receivable impairment	**–**	293
Exchange differences	**5**	–
At 31 March	**385**	380

During the year, the Group does not make any provision for impairment losses on trade receivables. In last year, the provision charges of HK$293,000 was 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	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Time deposits	**94,134**	253,728	**25,000**	193,687
Cash at bank and in hand	**241,359**	133,530	**6,846**	7,552
Short-term bank deposits	**282,921**	259,050	**20,000**	88,069
Cash and cash equivalents	**524,280**	392,580	**26,846**	95,621
Total	**618,414**	646,308	**51,846**	289,308

22 Cash and bank balances (continued)

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**227,226**	289,188	**51,470**	184,677
U.S. dollar	**16,730**	160,046	**376**	104,631
Euro	**109,769**	48,228	**–**	–
Renminbi	**88,351**	15,298	**–**	–
Singapore dollar	**32,257**	16,134	**–**	–
Malaysian Ringit	**81,985**	65,606	**–**	–
Taiwan dollar	**18,570**	14,023	**–**	–
Others	**43,526**	37,785	**–**	–
	618,414	646,308	**51,846**	289,308

The year-end effective interest rate on time deposits over three months was 1.95% (2010: 1.3%). These deposits have an average maturity of 7 months (2010: 6 months).

The year-end effective interest rate on short-term bank deposits was 1.46% (2010: 0.5%). These deposits have an average maturity of 1 month (2010: 1 month).

As at 31 March 2011, out of the total cash and bank balances denominated in Renminbi and Malaysian Ringit as stated above, approximately HK$43,065,000 (2010: HK$36,847,000) were kept in Mainland China and Malaysia. The remittance of these funds out of Mainland China and Malaysia is subject to applicable foreign exchange restrictions imposed by the respective local government.

23 Trade and bills payables – Group

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

	2011	2010
	HK$'000	HK$'000
Within 1 month	**171,937**	105,164
1 to 3 months	**64,243**	61,814
Over 3 months	**18,236**	8,934
	254,416	175,912

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

23 Trade and bills payables – Group (continued)

Trade and bills payables are denominated in the following currencies:

	2011 HK$'000	2010 HK$'000
Hong Kong dollar	**128,054**	104,268
U.S. dollar	**20,355**	9,189
Euro	**29,847**	13,119
Renminbi	**32,405**	19,928
Singapore dollar	**9,973**	5,030
Malaysian Ringit	**9,771**	8,089
Taiwan dollar	**15,701**	12,707
Swiss Franc	**5,040**	3,079
Others	**3,270**	503
	254,416	175,912

24 Retirement benefit obligations – Group

(a) Retirement benefit obligations

	2011 HK$'000	2010 HK$'000
Retirement benefit obligations on		
– Defined benefit plan (Note 24(b)(ii))	**(115)**	29
– Long service payments (Note 24(b)(iii))	**3,978**	4,082
	3,863	4,111

(b) Retirement benefit costs

	2011 HK$'000	2010 HK$'000
Retirement benefit costs (Note 8)		
– Defined contribution plans (Note 24(b)(i))	**26,017**	22,044
– Defined benefit plan (Note 24(b)(ii))	**(26)**	(44)
	25,991	22,000
– Long service payments (Note 24(b)(iii))	**(94)**	75
	25,897	22,075
Gross employer's contributions	**28,980**	22,875
Less: Forfeited contributions utilised to reduce employer's contributions for the year	**(2,989)**	(875)
Net employer's contributions charged to the consolidated income statement	**25,991**	22,000
Long service payments (Note 24(b)(iii))	**(94)**	75
	25,897	22,075

24 Retirement benefit obligations – Group (continued)

(b) Retirement benefit costs (continued)

Notes:

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

From 1 December 2000, the subsidiaries of the Group in Hong Kong elected to contribute to the MPF Scheme. The MPF Scheme is a defined contribution retirement benefit plan administered by independent trustees. Under the MPF Scheme, both the employer and employees are required to contribute 5% of the employee's monthly salaries (capped at HK$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 2011 by HSBC Life (International) Limited, a qualified actuary, using the projected unit credit method.

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

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

	2011 HK$'000	2010 HK$'000
Present value of funded obligations	**3,144**	2,718
Fair value of plan assets	**(2,913)**	(2,556)
	231	162
Unrecognised actuarial gains	**(346)**	(133)
Net (asset)/liability in the statement of financial position (Note 24(a))	**(115)**	29

24 Retirement benefit obligations – Group (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

(ii) (continued)

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

	2011 HK$'000	2010 HK$'000
Current service cost	**23**	36
Interest cost	**35**	22
Expected return on plan assets	**(84)**	(73)
Net actuarial gains recognised in the year	**–**	(29)
Total included in employee benefit expenses	**(26)**	(44)

Movements in the defined benefit retirement plan (assets)/obligations recognised in the consolidated statement of financial position are as follows:

	2011 HK$'000	2010 HK$'000
At beginning of the year	**29**	173
Total income	**(26)**	(44)
Employer contributions	**(119)**	(111)
Exchange differences	**1**	11
At end of the year	**(115)**	29

The principal actuarial assumptions used are as follows:

	2011 %	2010 %
Discount rate	**1.20**	1.20
Expected rate of return on plan assets	**3.00**	3.00
Expected rate of future salary increases	**3.50**	0-3.00

(iii) The Group's provision for long service payments are determined based on the actuarial valuation as at 31 March 2011 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:

	2011 HK$'000	2010 HK$'000
Present value of unfunded obligations	**929**	1,543
Unrecognised actuarial gains	**3,049**	2,539
Liability in statement of financial position (Note 24(a))	**3,978**	4,082

24 Retirement benefit obligations – Group (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

(iii) (continued)

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

	2011 HK$'000	2010 HK$'000
Current service cost	**164**	259
Interest cost	**40**	38
Net actuarial gains recognised in the year	**(298)**	(222)
Total included in employee benefit expenses	**(94)**	75

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

	2011 HK$'000	2010 HK$'000
At beginning of the year	**4,082**	4,020
Total (income)/expense	**(94)**	75
Contributions paid	**(10)**	(13)
At end of the year	**3,978**	4,082

The principal actuarial assumptions used are as follows:

	2011 %	2010 %
Discount rate	**2.40**	2.60
Expected rate of future salary increases	**3.00-3.50**	3.00-3.50

25 Share capital

Authorised shares of HK$0.1 each	Note	No. of shares	HK$'000
At 31 March 2010 and 2011		8,000,000,000	800,000
Issued and fully paid shares of HK$0.1 each			
At 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
Issue of shares upon exercise of share options	(a)	11,575,324	1,158
Issue of shares upon 1:1 Bonus Issue	(b)	1,399,642,523	139,964
At 31 March 2011		**2,802,530,378**	**280,253**

Notes:

(a) Issue of shares upon exercise of share options granted under the 2002 Share Option Scheme

During the year, a total of 11,575,324 (2010: 10,058,952) shares were issued to a director and certain employees of the Company pursuant to the exercises of share options under the 2002 Share Option Scheme. The proceeds of the issues totalling HK$28,100,000 (2010: HK$26,670,000) including share premium amounted to HK$26,942,000 (2010: HK$25,664,000).

25 Share capital (continued)

Notes: (continued)

(b) Issue of shares under the 1:1 Bonus Issue

With the approval of the Shareholders at the EGM of the Company held on 20 December 2010, the Company issued 1,399,642,523 bonus shares on the basis of one bonus share for every one then existing Share held on 20 December 2010 pursuant to the 1:1 Bonus Issue. As at 20 December 2010, there were 1,399,642,523 Shares in issue and accordingly the number of bonus shares issued under the 1:1 Bonus Issue was 1,399,642,523. The bonus shares, which rank pari passu in all respects with the Shares then existing, were credited as fully paid by way of capitalisation of an amount of approximately HK$139,964,000 in the share premium account of the Company. For the year ended 31 March 2011, an amount of approximately HK$139,964,000 was transferred from share premium account to share capital account accordingly. For details of the 1:1 Bonus Issue, please refer to the circular dated 1 December 2010 and the announcements dated 18 November 2010 and 20 December 2010 published by the Company.

(c) Share options

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

Under the 2002 Share Option Scheme and Rule 17.03(13) of the Listing Rules as applied by the Stock Exchange, as a result of the 1:1 Bonus Issue, adjustments have been made to the subscription price per Share and the number of Shares subject to the options granted by the Company pursuant to the 2002 Share Option Scheme which remained outstanding as at the date of completion of the 1:1 Bonus Issue, being 24 December 2010 (the "Outstanding Options"). The details of adjusted subscription price per Share and the Outstanding Options are set out in the Share Options section on page 83 of this report.

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

	No. of share options year ended 31 March	
	2011	2010
At beginning of the year	**25,420,229**	35,536,181
Granted	**3,088,000**	–
Exercised	**(11,575,324)**	(10,058,952)
Lapsed	**(641,000)**	(57,000)
Adjustment pursuant to the 1:1 Bonus Issue	**20,037,237**	–
At end of the year	**36,329,142**	25,420,229

The expiry dates and subscription prices of the share options outstanding as at 31 March 2011 were set out as follows:–

Expiry date	Subscription price per Share (HK$)	No. of Share Options outstanding as at 31 March 2011#	2010
2002 Share Option Scheme			
29 October 2013	0.84#	**1,957,454**	2,658,386
30 November 2014	3.85	**–**	557,666
21 December 2014	4.15	**–**	215,333
25 May 2016	1.4825#	**1,977,688**	8,488,844
1 March 2019	1.095#	**27,000,000**	13,500,000
29 September 2020	3.16#	**5,394,000**	–
		36,329,142	25,420,229

The weighted average fair value of share options granted during the year was determined using the binomial lattice model, prepared by Towers Watson Hong Kong Limited, was HK$0.74* per option (2009: Nil). The significant inputs into the model were share price of HK$3.095* at the grant date, exercise price of HK$3.16*, volatility of 40.0%, dividend yields of 6.50%, an expected option life of around seven years and an annual risk-free interest rate of 1.49%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last seven years. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Adjustments to (i) the subscription price per Share and (ii) the number of Outstanding Options were made to reflect the 1:1 Bonus Issue on 24 December 2010.

* Adjusted for the 1:1 Bonus Issue.

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 2010	683,332	11,783	14,093	8,582	(2,493)	341,442	1,056,739
Effect on change in accounting policy (Note 2(a))	–	–	–	(8,582)	–	(2,514)	(11,096)
At 1 April 2010, as restated	683,332	11,783	14,093	–	(2,493)	338,928	1,045,643
Profit for the year	–	–	–	–	–	509,270	509,270
Currency translation differences	–	–	–	–	18,643	–	18,643
Total comprehensive income for the year ended 31 March 2011	–	–	–	–	18,643	509,270	527,913
1:1 Bonus Issue	(139,964)	–	–	–	–	–	(139,964)
Employee share option scheme:							
Value of employee services	–	–	3,183	–	–	–	3,183
Proceeds from shares issued upon exercise of options (Note 25(a))	26,942	–	–	–	–	–	26,942
Transfer of reserve upon exercise of options	4,356	–	(4,356)	–	–	–	–
2009/2010 Final and Special dividends paid	–	–	–	–	–	(265,309)	(265,309)
2010/2011 Interim dividend paid	–	–	–	–	–	(41,989)	(41,989)
2010/2011 Special dividend paid	–	–	–	–	–	(83,979)	(83,979)
	(108,666)	–	(1,173)	–	–	(391,277)	(501,116)
At 31 March 2011	**574,666**	**11,783**	**12,920**	**–**	**16,150**	**456,921**	**1,072,440**

Representing:	
Reserves	806,011
Proposed dividends	266,429
At 31 March 2011	**1,072,440**

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 2009	650,079	11,783	17,490	2,919	(17,412)	319,765	984,624
Effect on change in accounting policy (Note 2(a))	–	–	–	(2,919)	–	(2,774)	(5,693)
At 1 April 2009, as restated	650,079	11,783	17,490	–	(17,412)	316,991	978,931
Profit for the year	–	–	–	–	–	381,887	381,887
Currency translation differences	–	–	–	–	14,919	–	14,919
Total comprehensive income for the year ended 31 March 2010, as restated	–	–	–	–	14,919	381,887	396,806
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, as restated	683,332	11,783	14,093	–	(2,493)	338,928	1,045,643

Representing:

Reserves, as restated	780,821
Proposed dividends	264,822
At 31 March 2010	1,045,643

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 2010	683,332	11,783	14,093	53,231	762,439
Profit for the year	–	–	–	416,580	416,580
1:1 Bonus Issue	(139,964)	–	–	–	(139,964)
Employee share option scheme:					
Value of employee services	–	–	3,183	–	3,183
Proceeds from shares issued upon exercise of options (Note 25(a))	26,942	–	–	–	26,942
Transfer of reserve upon exercise of options	4,356	–	(4,356)	–	–
2009/2010 Final and Special dividends paid	–	–	–	(265,309)	(265,309)
2010/2011 Interim dividend paid	–	–	–	(41,989)	(41,989)
2010/2011 Special dividend paid	–	–	–	(83,979)	(83,979)
	(108,666)	–	(1,173)	(391,277)	(501,116)
At 31 March 2011	**574,666**	**11,783**	**12,920**	**78,534**	**677,903**
Representing:					
Reserves					411,474
Proposed dividends					266,429
At 31 March 2011					**677,903**

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 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

(c) At 31 March 2011, the Company had a distributable reserve of approximately HK$653,200,000 (2010: HK$736,563,000).

27 Consolidated statement of cash flows

Cash generated from operations

	2011 HK$'000	As restated 2010 HK$'000
Profit for the year	**509,270**	381,887
Adjustments for:		
– Income tax expense	**104,256**	83,849
– Depreciation of property, plant and equipment	**79,177**	62,381
– Gain on disposal of investment property	**(600)**	–
– Gain on disposal of property, plant and equipment	**(518)**	(272)
– Write-off of property, plant and equipment	**1,832**	1,473
– Share-based payment	**3,183**	4,192
– Finance income	**(5,259)**	(6,412)
– Fair value changes in investment property	**–**	(1,700)
Changes in working capital	**691,341**	525,398
– Inventories	**(239,026)**	(94,489)
– Trade receivables	**(9,642)**	(13,309)
– Other receivables, deposits and prepayments	**(32,775)**	(10,909)
– Trade and bills payable	**78,504**	31,437
– Other payables and accrued charges	**47,082**	46,694
– Retirement benefit obligations	**(248)**	(82)
Cash generated from operations	**535,236**	484,740

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

	2011 HK$'000	2010 HK$'000
Net book amount (Note 14)	**661**	8
Gain on disposal of property, plant and equipment	**518**	272
Proceeds from disposal of property, plant and equipment	**1,179**	280

28 Commitments – Group

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

	2011 HK$'000	2010 HK$'000
Contracted but not provided for	**15,279**	20,016
Authorised but not contracted	**190,629**	113,668
	205,908	133,684

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

(b) Commitments under operating leases

As at 31 March 2011, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2011 HK$'000	2010 HK$'000
Land and buildings		
Within one year	**496,355**	420,058
In the second to fifth year inclusive	**554,119**	562,631
After the fifth year	**773**	1,392
	1,051,247	984,081

29 Related party transactions

Key management personnel compensation:

	2011 HK$'000	2010 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**33,479**	31,370
Retirement benefit costs	**1,620**	1,609
Share-based payment	**2,721**	4,192
	37,820	37,171

30 Principal subsidiaries

Particulars of the principal subsidiaries at 31 March 2011:

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	Wholesale of cosmetic and skin care products	HK$5,500,000	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%

30 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2011 (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 Cosmetic Co. (S) Pte Limited	Singapore	Trading and retailing of cosmetic and skin care products	Ordinary S$19,500,000	100%
Sa Sa dot Com Limited	Hong Kong	E-commerce	Ordinary HK$1,000,000	100%
Sa Sa Investment (HK) 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$115,000,000	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 2011, its paid up capital was HK$5,500,000.

(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 2011, its paid up capital was HK$115,000,000.

Glossary

AGM	Annual general meetings of the Company
Articles of Association	Articles of Association of the Company
Board	Board of directors of the Company
Bonus Issue	The bonus issue of shares (on the basis of one Bonus Share for every one existing issued Share held on 20 December 2010) approved by the Shareholders of the Company at the EGM. For details, please refer to the circular dated 1 December 2010 published by the Company
Bonus Shares	New Shares allotted and issued pursuant to the 1:1 Bonus Issue
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, Sa Sa International 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
EGM	Extraordinary general meeting of the Company which was held on 20 December 2010 to approve the 1:1 Bonus Issue
ERM	Enterprise Risk Management
Hong Kong, HK or HKSAR	The Hong Kong Special Administrative Region of the People's Republic of China
House Brand(s)	Own-branded products, sole agent products, and products sold exclusively at Sa Sa
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
Stock Exchange	The Stock Exchange of Hong Kong Limited

Financial Calendar

2010/11 Interim Results Announcement	18 November 2010
Payment of 2010/11 Interim and Special Dividends	24 December 2010
2010/11 Annual Results Announcement	16 June 2011
Closure of Register of Members (both days inclusive)	22-25 August 2011
Annual General Meeting	25 August 2011
Proposed Payment of 2010/11 Final and Special Dividends	29 August 2011

This 2010/11 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] received from the Company in future, may request to do so by completing and returning the Change Request Form (which may be downloaded from the Company's website) by post or by hand to Tricor Abacus Limited ("Tricor"), the Company's branch share registrar and transfer office in Hong Kong. Tricor's address is at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong.

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 ("HKEx")'s Limited website at www.hkexnews.hk. If Shareholders have difficulty in receiving or gaining access to the same through the above means for any reason, the Company will promptly upon receiving the Change Request Form send the printed version of the requested document to the Shareholders free of charge.

As an environment-conscious corporate citizen, the Company encourages Shareholders to access the Corporate Communications via the Company's or HKEx'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, notice of meeting, circular and proxy form.*

Design: Phoenix Communications Limited   Production: iOne Financial Press Limited

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Shares of Sa Sa International Holdings Limited are traded on
The Stock Exchange of Hong Kong Limited (Stock Code: 178)

This report is printed on environmentally friendly
paper manufactured from elemental chlorine-free pulp