SA SA INTERNATIONAL HOLDINGS LIMITED

莎莎國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 178)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2005

- The Group's turnover increased by 22.9% to HK$2,313.7 million from HK$1,883.3 million
- The Group's retail and wholesale business recorded turnover of HK$2,122.2 million, representing a 23.7% increase over the previous fiscal year
- Sa Sa's retail and wholesale business in Hong Kong and Macau registered a 25.0% increase for the full year, and a year-on-year 18.4% increase for the second half of the fiscal year
- The Group's profit attributable to shareholders rose by 43.4%, from HK$151.1 million to HK$216.6 million
- Dividend per share rose from 12 HK cents to 17 HK cents, an increase of 41.7% over last fiscal year
- Diluted earnings per share rose by 39.8%, from 11.8 HK cents to 16.5 HK cents

The Board of Directors ("Board") of Sa Sa International Holdings Limited ("Company") has pleasure in presenting the audited consolidated results of the Company and its subsidiaries ("Group") for the year ended 31st March 2005 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	**2005** **HK$'000**	2004 HK$'000
Turnover	*2*	**2,313,706**	1,883,334
Cost of sales		**(1,321,817)**	(1,079,020)
Gross profit		**991,889**	804,314
Other revenues	*2*	**27,505**	23,268
Staff costs		**(369,438)**	(299,492)
Depreciation		**(39,502)**	(32,907)
Other operating expenses		**(359,929)**	(310,219)
		250,525	184,964
Surplus on revaluation of an investment property, leasehold land and buildings		**9,642**	200
Operating profit		**260,167**	185,164
Finance costs		**–**	(2)
Profit before taxation		**260,167**	185,162
Taxation	*3*	**(43,560)**	(34,087)
Profit attributable to shareholders		**216,607**	151,075
Dividends	*4*	**224,889**	155,507
Earnings per share	*5*		
Basic		**16.6 cents**	11.9 cents
Diluted		**16.5 cents**	11.8 cents

CONSOLIDATED BALANCE SHEET

	Note	**2005** **HK$'000**	2004 HK$'000
Non-current assets			
Property, plant and equipment		**131,802**	98,347
Investment securities		**870**	1,070
Deferred tax assets		**17,072**	19,275
		149,744	118,692
Current assets			
Inventories		**363,684**	262,152
Trade receivables		**20,075**	15,653
Other receivables, deposits and prepayments		**90,612**	78,920
Tax recoverable		**260**	1,569
Investment securities		**–**	35,181
Cash and bank balances		**743,134**	704,954
		1,217,765	1,098,429
Current liabilities			
Trade and bills payables		**120,712**	72,587
Other payables and accrued charges		**109,113**	93,323
Current portion of receipts in advance		**88,817**	83,415
Taxation payable		**40,105**	32,153
		358,747	281,478

	Note	2005	2004
Net current assets		**859,018**	816,951
Total assets less current liabilities		**1,008,762**	935,643
Non-current liabilities			
Receipts in advance		**86,776**	75,018
Retirement benefit obligations		**9,435**	8,954
Deferred tax liabilities		**1,292**	2,087
		97,503	86,059
Net assets		**911,259**	849,584
Capital and reserves			
Share capital		**132,349**	129,306
Reserves	*6*	**633,193**	603,237
Proposed dividends	*6*	**145,717**	117,041
Shareholders' funds		**911,259**	849,584

Notes

1 **Basis of preparation**

The accounts have been prepared under the historical cost convention, as modified by the revaluation of an investment property, leasehold land and buildings, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2 **Revenues, turnover and segment information**

The Group is principally engaged in the retailing and wholesaling of a wide range of brand name cosmetic products and the provision of beauty and health club services. Revenues recognised during the year are as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Turnover		
Retail and wholesale	**2,122,215**	1,716,077
Beauty and health club services	**191,491**	167,257
	2,313,706	1,883,334
Other revenues		
Interest income	**12,357**	12,353
Slide display rental income	**13,612**	9,456
Rental income	**600**	489
Sundry income	**936**	970
	27,505	23,268
	2,341,211	1,906,602

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

	Retail and wholesale	**Beauty and health club services**	**2005 Total**
	HK$'000	***HK$'000***	***HK$'000***
Turnover	**2,122,215**	**191,491**	**2,313,706**
Results			
Segment results	**240,667**	**(2,499)**	**238,168**
Interest income			**12,357**
Surplus on revaluation of an investment property, leasehold land and buildings	**9,642**	**–**	**9,642**
Profit before taxation			**260,167**
Taxation			**(43,560)**
Profit attributable to shareholders			**216,607**

	Retail and wholesale	Beauty and health club services	2004 Total
	HK$'000	*HK$'000*	*HK$'000*
Turnover	1,716,077	167,257	1,883,334
Results			
Segment results	173,710	(1,099)	172,611
Interest income			12,353
Interest expenses			(2)
Surplus on revaluation of an investment property	200	–	200
Profit before taxation			185,162
Taxation			(34,087)
Profit attributable to shareholders			151,075

(b) ***Secondary reporting format – geographical segments***

The Group operates in Mainland China, Taiwan and South Asia. Mainland China includes Hong Kong and Macau. South Asia comprises Thailand, Malaysia and Singapore.

	Mainland China	**Taiwan**	**South Asia**	**2005 Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Turnover	**2,071,828**	**62,639**	**179,239**	**2,313,706**

	Mainland China	Taiwan	South Asia	2004 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,658,276	57,234	167,824	1,883,334

3 **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Group 2005 HK$'000	2004 HK$'000
Hong Kong profits tax		
Current	**36,862**	26,572
(Over)/under provision in previous years	**(2,114)**	1,417
Overseas taxation		
Current	**5,205**	5,938
Under/(over) provision in previous years	**992**	(596)
Deferred taxation relating to origination and reversal of temporary differences	**2,615**	605
Deferred taxation resulting from decrease in tax rates	**–**	151
	43,560	34,087

4 Dividends

	Company 2005 HK$'000	2004 HK$'000
Interim, paid – 3.0 HK cents (2004: 2.0 HK cents) per share	**39,586**	25,644
Special, paid – 3.0 HK cents (2004: 1.0 HK cent) per share	**39,586**	12,822
Final, proposed – 5.0 HK cents (2004: 5.0 HK cents) per share	**66,235**	65,023
Special, proposed – 6.0 HK cents (2004: 4.0 HK cents) per share	**79,482**	52,018
	224,889	155,507

At a meeting held on 29th June 2005, the directors declared a final dividend of 5.0 HK cents and a special dividend of 6.0 HK cents per share. These proposed dividends are not reflected as dividend payables in these accounts, but will be reflected as an appropriation of distributable reserve for the year ending 31st March 2006.

5 Earnings per share

(a) The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK$216,607,000 (2004: HK$151,075,000).

(b) The calculation of basic earnings per share is based on the weighted average of 1,306,760,549 (2004: 1,274,390,339) shares in issue during the year.

(c) The calculation of diluted earnings per share is based on the weighted average of 1,306,760,549 (2004: 1,274,390,339) shares in issue during the year plus the weighted average of 7,458,883 (2004: 7,815,567) shares deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

6 Reserves – Group

	Share premium *HK$'000*	**Capital redemption reserve** *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**(Accumulated losses)/ retained earnings** *HK$'000*	**Total** *HK$'000*
At 1st April 2003	665,787	11,783	(24,208)	(19,754)	633,608
Profit for the year	–	–	–	151,075	151,075
Exercise of share options	25,926	–	–	–	25,926
Exchange differences	–	–	(1,190)	–	(1,190)
2002/2003 Final dividend paid	–	–	–	(50,675)	(50,675)
2003/2004 Interim dividend paid	(25,644)	–	–	–	(25,644)
2003/2004 Special dividend paid	(12,822)	–	–	–	(12,822)
At 31st March 2004	653,247	11,783	(25,398)	80,646	720,278
Representing:					
Reserves					603,237
Proposed dividends					117,041
At 31st March 2004					720,278

	Share premium *HK$'000*	**Capital redemption reserve** *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*
At 1st April 2004	653,247	11,783	(25,398)	80,646	720,278
Profit for the year	–	–	–	216,607	216,607
Exercise of share options	39,022	–	–	–	39,022
Exchange differences	–	–	(417)	–	(417)
2003/2004 Final and Special dividends paid	–	–	–	(117,408)	(117,408)
2004/2005 Interim dividend paid	–	–	–	(39,586)	(39,586)
2004/2005 Special dividend paid	–	–	–	(39,586)	(39,586)
At 31st March 2005	**692,269**	**11,783**	**(25,815)**	**100,673**	**778,910**
Representing:					
Reserves					633,193
Proposed dividends					145,717
At 31st March 2005					**778,910**

OPERATIONS REVIEW

For the year ended 31st March 2005, the Group's consolidated turnover amounted to HK$2,313.7 million, representing an increase of 22.9% from HK$1,883.3 million in the previous fiscal year. The Group's consolidated profit attributable to shareholders rose to HK$216.6 million from HK$151.1 million, an increase of 43.4%. Diluted earnings per share amounted to 16.5 HK cents.

A number of significant factors contributed to the satisfactory performance of the Group. The growth momentum of the retail business in Hong Kong market continued, fuelled by the relaxed travel policy for PRC tourists visiting Hong Kong and Macau and by the number of tourists from other countries returning to Hong Kong following the end of the SARS epidemic. Local people showed a renewed appetite for retail spending, and the Group was able to use its strong operating leverage to build on these opportunities.

Retail & Wholesale Business

During the fiscal year 2004/05, the Group's retail and wholesale business saw growth in turnover of 23.7%, reaching HK$2,122.2 million. The overall gross profit margin increased due to the enhancement of our sales mix.

Our inventory turnover days were 101 days for the year ended 31st March 2005, as opposed to 90 days for the previous fiscal year. But this has to be placed in the context of an operational shift towards importing more products by shipping rather than air freight, and by an accompanying extension of the payment period to our suppliers. Overall, we enhanced both our operational and management effectiveness through the adoption of a new Point-of-Sales system, a Business Intelligence system and a new Customer Relationship Management system as well as strengthening staff training. All these initiatives helped to bolster the Group's competitiveness and operational flexibility. We believe this will further increase the Group's turnover growth and profitability in the coming years.

Hong Kong and Macau

The increased spending by tourists, in particular those from Mainland China, as well as the growing confidence of local consumers contributed to the healthy performance of our business in Hong Kong and Macau. Turnover rose by 25.0% to HK$1,916.0 million for the year ended 31st March 2005 and same store growth grew by 10.8%. Year-on-year growth of 34.8% was recorded in the first half of the year due to the low base caused by the onset of SARS in the corresponding period last year. A year-on-year increase of 18.4% was recorded in the second half of the year. Growth was registered in both the average value per transaction and the total number of transactions with an increase of 12.3% and 12.0%, respectively.

During the fiscal year, Sa Sa opened a new flagship store in Causeway Bay. The Group also added a new store and relocated a store to Mongkok. Four existing stores were expanded. As at 31st March 2005 there were 43 Sa Sa stores, one La Colline specialty store and one Elizabeth Arden counter.

The Group strengthened the brand building of "Sa Sa" and the "beauty specialist" image of Sa Sa by targeting marketing initiatives at both local consumers and PRC tourists. We sponsored the Miss Hong Kong Pageant 2004, introduced a new TV advertisement to project our corporate image in both Hong Kong and the PRC, and launched a TV advertisement for a new product, Provocative, by Elizabeth Arden. In addition, the Group sponsored a spectacular variety show to celebrate National Day, which was organized by the Hong Kong Federation of Women. We also sponsored the Sa Sa Cup at Ladies' Purse Day as well as the "Horses Across Hong Kong" campaign organised by the Hong Kong Jockey Club in 2004.

Mainland China
The first Sa Sa store in the People's Republic of China ("PRC") was opened on 26th March 2005 on Shanghai's Huaihai Road. The Group has positioned the outlet as a "one-stop cosmetics specialty store" that provides an alternative shopping channel for our PRC consumers. We will focus on offering professional and niche brand products in the store as well as value-added services.

Singapore and Malaysia
Turnover for the Singapore and Malaysian markets increased by 7.1% to reach HK$112.8 million and same store growth was 3.6% for the year ended 31st March 2005. The loss recorded for the first half of the fiscal year was reversed and both markets started to contribute in the second half due to growth in turnover and gross profit. This in turn contributed to overall performance.

In order to provide a stronger foundation for future growth in this market, a series of strategic measures were implemented during the year. These included moving the regional office back to Hong Kong to provide better support and directions, new store formats, relocation of stores, store expansions, strengthening of the adjustment of merchandise mix and improved staff training. Although our performance was temporarily affected by these measures, positive results were visible by the second half of the year.

Same store growth for the combined markets reached 6.0% in the second half of the fiscal year with total sales growth at 6.7%. In Singapore, during the same period, same store growth was 17.4% with total sales growth at 12.4%, and same store growth for Malaysia was -9.5% with total sales growth at -2.2%. The performance of the Malaysian market was affected by the government's registration requirements for imported products. The effects of these measures gradually receded with results improving in the fourth quarter.

As at 31st March 2005, the number of stores in Singapore remained at nine (one opened, one closed). Store numbers increased to 11 for Malaysia with two new stores being opened and one closed during the year. Despite the operational changes, Sa Sa was awarded the "Superbrands" title in Singapore and Malaysia for the year 2004/05 and 2005, respectively.

Taiwan
Turnover in the Group's Taiwan business increased 9.4% during the year, with same store growth reaching 5.7%. An increase in contributions to the Group was recorded. The full-year performance was affected by typhoons during the summer and by the temporary closure of a major store for renovation. This meant that staff had to be re-trained to adapt to the new store format. The Group's strategic consolidation measures began to take effect in the second half of the year. Our performance therefore showed a marked improvement as compared to the same period of the previous fiscal year. Second half same store growth was 9.9% with total sales growth at 14%. Since a new store was opened during the year, the total store number for Taiwan was four as at 31st March 2005.

E-commerce – Sasa.com
Turnover for Sasa.com amounted to HK$30.4 million, representing an increase of 43.8% over the previous fiscal year. A small profit was recorded.

Following improvements made to the web site and in the areas of marketing and product strategy, the existing customer base is now much broader than that of previous years, covering over 50 countries. Registered members stand at over 100,000 and monthly unique visits to the site average more than 200,000. The new Sasa.com platform, launched near the end of 2004, allows for higher capacity, greater flexibility in operation, and enhances the on-line shopping experience. Sales have therefore substantially improved.

Brand Management
Sales of private-label and exclusively distributed products increased by 32.5% and contributed 29.0% to the Group's total retail and wholesale sales for the year ended 31st March 2005. New brands secured for Sa Sa's exclusive distributorship includes such fragrances as Ferre, Guess and Hummer and Bergman premium skin care brand. Our management of famous brands that are available in a wide range of countries further enhanced our brand management reputation and position in the marketplace.

During the year Sa Sa, acting as sole agent in Hong Kong and Macau, introduced the new skin care brand, Jose Eisenberg, from France. This prestigious brand is available in a number of countries in Europe, the USA, Canada and the Middle East. Other such exclusive brands managed by Sa Sa are Elizabeth Arden (available worldwide), Cellex-C (available in 40 countries), Olos (available in 35 countries), Transvital (available in 17 countries), and Skin Doctors (available in 20 countries). The latter is a top Australian skin care brand that Sa Sa recognised as reflective of a growing trend in cosmeceutical skin care products in the global beauty industry. According to Euromonitor's ranking of international brands by annual turnover in 2004 and company figures, Sa Sa's existing exclusive brands, Suisse Programme, La Colline and Elizabeth Arden, should now be ranked among the top 20 premium skin care brands in Hong Kong.

During the year 2004/05, we continued to invest more resources in creating a closer working relationship with our brand owners. We also devoted an increased marketing budget towards promoting their brands and strengthened the category management skills of managerial staff with the specific aim of improving our marketing effectiveness. We believe that our investment will result in a higher awareness of our exclusive brands and thus higher profitability for the Group.

The year 2004/05 was also notable for Sa Sa's marketing programme for Elizabeth Arden's fragrance Provocative, which included a special TV advertisement. Over 10,000 bottles of Provocative were sold within three months. Similar results were recorded for Elizabeth Arden's latest luxury fragrance "Britney Spears – Curious", with more than 10,000 bottles being sold in three months.

Beauty Services
Turnover for beauty services was HK$191.5 million, representing an increase of 14.5% over the previous fiscal year. This was mainly due to the improved performance of Phillip Wain beauty and health clubs and the opening of the second Sa Sa Beauty+ beauty and slimming centre. Excluding one-off charges, these results show a continuous improvement in profitability.

Phillip Wain
Phillip Wain offers premium beauty and health ladies' clubs that cater for the discerning customer. During the year ended 31st March 2005, turnover increased by 9.4% to HK$168.6 million. Excluding one-off charges, profitability was improved. These healthy results were largely due to an increase in the number of treatments and product sales, an enhanced cost structure, and a vigorous upgrading of marketing efforts. We strengthened both staff training and service levels, while providing more innovative treatments and services.

Our contract sales increased by 12.4%, representing growth both in the number of contracts and in their average value. The year was also notable for our extending beauty services to male customers through the opening of "Inspire" at Phillip Wain in Hong Kong. Among the innovative treatments introduced were the Dibibody Tri-formula Ultimate Programme, Liftech Body Firming & Facial Therapy, Electro Magnetic Light Therapy for body slimming, IPL Epilation Treatment and other beauty services such as nail and eyelash treatments.

Sa Sa Beauty+
The establishment of Sa Sa Beauty+ complements our retail business development, providing all-round cosmetics and beauty services to Sa Sa customers. During the year, turnover increased by 74.0% to HK$22.9 million. The loss significantly narrowed. These improved results were largely due to the maturing of a new club that Sa Sa opened in December 2003.

We introduced a number of new beauty treatments and equipments including Suisse Programme Express Lifting Facial Treatment, Lymphatic Shaping Massage and Di-Trim Xpress.

The number of members rose by 150.0%. They are therefore contributing a substantial improvement to the overall performance of Sa Sa Beauty+.

Outlook
Sa Sa's vision for the future is clear: to continue to reinforce the overall positioning of Sa Sa as a Beauty Specialist and to extend the top-of-mind awareness of Sa Sa as a leading cosmetics retailer outwards from Hong Kong to existing and new markets. We will focus on the following strategic initiatives to drive growth:

1. Capture the rise of tourism and local spending in Hong Kong and Macau to gain further market share

   We are optimistic about the growth potential of the Hong Kong and Macau cosmetics market, both in terms of local consumer and tourist consumption. Last year tourist arrivals from the PRC grew by 44.6% over 2003. Non-PRC tourist arrivals grew by 35.3%. Overall, almost 22 million tourists visited Hong Kong. With a number of projects and events coming on stream including Hong Kong Disneyland, new casinos in Macau, ASEAN Game and Olympics Games 2008 in Beijing, it is expected that tourism in Hong Kong will continue to boom. According to Hong Kong Tourism Board, total visitor arrivals will reach 23.4 million and 27.1 million in 2005 and 2006, respectively.

   The market trend also gives us grounds for optimism. Due to rental increases and the level of competition, consolidation is occurring in the cosmetics retailing market as the less-productive players, often operating from rented standalone stores, are trimming their retail network or are being squeezed from the market. We stand to benefit from this trend because some brands will find it more beneficial to work more closely with us in this highly competitive market.

   In order to cater to the rising numbers and consumption of both local consumers and tourists, we will continue our store expansion by adding seven more stores in both tourist and non-tourist areas in Hong Kong and Macau for the next fiscal year, including an 8,000 sq. ft. new flagship store in Mongkok, another super-store with 8,000 sq. ft. in Tsim Sha Tsui, one in Tsuen Wan, another in Olympian City and two new stores in Macau. We will also increase our marketing efforts to reinforce Sa Sa's beauty retail specialist image through such initiatives as sponsoring the Miss Hong Kong Pageant 2005. We will bolster advertising and promotion activities that target PRC tourists while strengthening staff training and customer service.

Our successful marketing efforts are already being recognised. From April to June 2005, Sa Sa received further prestigious awards. The world-renowned Internet company Yahoo gave Sa Sa its "Yahoo! Emotive Brand Award 2004/05" in the Health and Fitness category, the second year that Sa Sa has received such an award. A Sa Sa beauty consultant won the "Quality Service Star Award" in "The Retail & Service Energetic Star Awards 2005" organized by Easy Finder Magazine in Hong Kong. Sa Sa also won the "Grand Award-Highest Votes Collected from the PRC Tourists" in "PRC Tourists' Best Hong Kong Brands" survey organized by the Hong Kong Association of Chinese Travel Organisers together with a group of PRC media organizations.

2. Strengthen overseas market growth
Sa Sa will continue to build a stronger foundation in all overseas markets to facilitate aggressive growth in the coming years. Preliminary consolidation measures include moving the regional office back to Hong Kong for better support and directions, conversion to new store formats, improvement of the store portfolio, store expansions as well as strengthening the merchandise mix. These initiatives are beginning to bear fruit.

   Meanwhile, the impact of the measures we implemented later, including increasing marketing efforts, strengthening selling skills training and raising the level of customer service is expected to be felt in the short to medium term. In addition to strengthening same store sales growth, the foundation we have built in previous years will enable us to expand our retail network in a more comprehensive manner by adding better store locations, thereby increasing our market share in each of our overseas markets. We are confident of Sa Sa's long term expansion and that our performance will be greatly enhanced in the coming years.

3. Strengthen exclusive brand portfolio
Sa Sa is fully committed to strengthening marketing efforts for our exclusive brand portfolio. We will add more quality and "trendy" brands, enhance product category management to boost product sales, and seek partnership with foreign brands in developing Asian markets. We will also develop new private labels and product lines and add exclusive brands in order to target different market segments.

4. Build foundation for the Mainland China market
According to Euromonitor, the PRC cosmetic sales market was estimated to be worth some US$6 billion in 2003, rising to more than US$8 billion in 2008. With the market growing at a high single-digit annual rate and imported cosmetic brands capturing an increasing market share, it is clear that the market potential for both Shanghai and the rest of the PRC is enormous.

   Leveraging on our strong brand name in the PRC, we aim to provide both professional and value-added services to our Mainland customers. We are positioning ourselves as a one-stop cosmetics specialty store with a broad customer base while aiming to become an alternative distribution channel for cosmetic brands as well as a new shopping channel for customers.

   Sa Sa's new store in Shanghai opened at the end of March 2005. Since the PRC business and operating environment is different from Hong Kong, we are taking a gradual approach with the aim of building up a full competitive offering in the foreseeable future. At the same time, we are strengthening training for both front line and office staff. We are fully committed to increasing our presence in the PRC market for the future of the Group and we plan to open three new stores in the coming 12 months.

5. Strengthen operational and management effectiveness
In order to increase Sa Sa's growth potential and facilitate future development and expansion, we will continue to strengthen our operational and management efficiency and effectiveness by introducing SAP's R3 Enterprise Resources Planning (ERP) system. This advanced comprehensive IT system will involve a considerable degree of reengineering, including operations, logistics, purchasing as well as back-office activities. However, we believe that the advanced ERP system, together with various systems upgraded last year such as Point-of-Sales, Business Intelligence, and Customer Relationship Management, will further improve our operational, marketing and management effectiveness and therefore our overall performance.

6. Enhance Beauty Services performance
We will focus on further improvement of profitability and synergy with our core retail business by increasing the operational and management effectiveness of our existing beauty clubs and centres. We are extending the range of services to be provided by these centres to customers, since the Group believes that there is both considerable upside potential and opportunity for improvement in the performance of Phillip Wain and Sa Sa Beauty+.

Human Resources
As at 31st March 2005, the Group had a total of 2,119 employees. Staff costs for the year under review were HK$369.4 million. To ensure that the Group is able to attract and retain staff with good performance, remuneration packages are reviewed on a regular basis and performance bonus and share options are offered to qualified employees. A performance-based element is included in the annual discretionary bonus for all staff and share options for supervisory and managerial staff. The Group places heavy emphasis on staff training and development in order to realise the potential of our staff. Staff development initiatives were implemented during the year through in-house and external training programmes, as well as the provision of financial subsidies for staff's further studies in related fields.

FINANCIAL REVIEW

Capital Resources and Liquidity
As at 31st March 2005, the Group's total shareholders' funds were HK$911.3 million including reserves of HK$778.9 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$743.1 million (please see table below). The Group's working capital was HK$859.0 million. Based on the Group's steady cash inflow from operations and coupled with its existing cash and bank facilities, the Group has adequate financial resources to fund its future expansion.

	31st March 2005 *HK$'000*	31st March 2004 *HK$'000*
Held-to-maturity securities	**–**	35,181
Cash and bank balances	**743,134**	704,954
Total	**743,134**	740,135

During the year, the Group has redeemed all of its held-to-maturity securities on their respective maturity dates and the proceeds were deposited in leading banks with maturity dates falling within two years. This is in line with the Group's policy to maintain liquidity of its funds and in response to the increase of deposit rates, the funds will continue to contribute a stable yield to the Group.

During the year, the majority of the Group's cash and bank balances were in U.S. dollars and were deposited in leading banks.

Financial Position
Total funds employed (comprising shareholders' funds only) as at 31st March 2005 were HK$911.3 million, which represented a 7.3% increase over the total funds employed of HK$849.6 million as at 31st March 2004.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 31st March 2005 and 31st March 2004.

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 either in Hong Kong or U.S. dollars. However, the Group will monitor its foreign exchange position and, when appropriate, the Group will hedge its non U.S. dollar foreign exchange exposure by way of forward foreign exchange contracts.

As at 31st March 2005, the Group had HK$137.1 million outstanding forward foreign exchange contracts and was, subject to certain conditions, committed to purchase euro 13.6 million at an average exchange rate to U.S. dollars of 1.2953 in the coming year. The exchange rate for one euro to U.S. dollar as at 31st March 2005 was 1.2954. Subsequent to the balance sheet date, the Group entered into additional agreements for spot and, subject to certain conditions, forward purchases of euro 13.1 million at an average exchange rate to U.S. dollars of 1.2748 (approximately HK$130.3 million). As a result, the Group has reserve of euro position to meet approximately one year's requirement if the contracts are materialised in full.

Charge on Group Asset
At 31st March 2005, no Group asset was under charge to a financial institution.

Contingent Liabilities
The Group had no material contingent liabilities as at 31st March 2005.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board has recommended a final dividend ("Final Dividend") of 5.0 HK cents (2004: 5.0 HK cents) per share and a special dividend ("Special Dividend") of 6.0 HK cents (2004: 4.0 HK cents) per share for the year ended 31st March 2005, payable to shareholders whose names appear on the register of members of the Company ("Register of Members") on 25th August 2005.

The Final Dividend and Special Dividend will be paid around 30th August 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 22nd August 2005 to 25th August 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the Final Dividend and Special Dividend, all valid documents in respect of transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Abacus Share Registrars Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 19th August 2005.

ISSUE OF SHARES

During the year, the Company issued and allotted a total of 30,424,187 shares of HK$0.10 each of the Company to certain directors, staff members and an ex-director pursuant to their exercise of share options under the schemes adopted by the Company on 22nd May 1997 and 29th August 2002 and share options in accordance with the terms set out in the service agreement entered into between the Company and the ex-director on 2nd August 1999 which was approved by the shareholders of the Company at an extraordinary general meeting on 14th September 1999 respectively.

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.

CORPORATE GOVERNANCE

(I) Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice ("Code of Best Practice") as set out in Appendix 14 of the rules ("Listing Rules") governing the listing of securities on the Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the year, except that one formal independent non-executive director is not appointed for a specific term as recommended under paragraph 7 of Code of Best Practice but is subject to retirement by rotation at the annual general meeting in accordance with the articles of association of the Company. This formal independent non-executive director was re-designated as a non-executive director for a term of three years commencing 24th June 2004.

(II) Model Code for Securities Transactions

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the year.

(III) Board Committees

The Board has appointed the following Board Committees to oversee particular aspects of the Company's affairs:–

Audit Committee

In compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company has established an audit committee in 1999 ("Audit Committee"). The Audit Committee comprises three independent non-executive directors, Professor Chan Yuk Shee who is the chairman of the Audit Committee, Dr. Leung Kwok Fai, Thomas and Ms. Tam Wai Chu, Maria. The Audit Committee adopted the terms of reference governing its authority and duties.

The Audit Committee is responsible for, inter alia, reviewing and monitoring the relationship between the Company and its auditors, reviewing of the financial information of the Company and overseeing the Company's financial reporting system and internal control procedures. The Audit Committee members have met with external and internal auditors and reviewed the audit reports and the interim and annual accounts of the Group.

Compensation Committee

The Compensation Committee ("Compensation Committee") is responsible for, inter alia, making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management, determining the specific remuneration packages of all executive directors and senior management and making recommendations to the Board of the remuneration of non-executive directors and advising on any issues relating to the design of suitable compensation and benefits schemes (including the share option and incentive schemes) for staff of the Group and human resources management and policy formulation of the Group from time to time. The present members of the Compensation Committee are Dr. Leung Kwok Fai, Thomas, who acts as the chairman, Mrs. Kwok Law Kwai Chun, Eleanor and Ms. Tam Wai Chu, Maria.

Executive Committee

The executive committee ("Executive Committee"), along with the chief executive officer and other senior executives, is responsible for the implementation of the strategy and direction of the Group as determined by the Board from time to time. In doing so, they must apply business principles and ethics which are consistent with those expected by the Board and shareholders of the Company. The Executive Committee, inter alia, is delegated by the Board the management and administrative functions for their conduct of the day-to day operations of the Company, effectively, legally and ethically. They shall be aware of the material risks and issues faced by the Company and carefully supervise the Company's financial reporting systems and processes. The present members of the Executive Committee are Mr. Kwok Siu Ming, Simon, who acts as the chairman, Mrs. Kwok Law Kwai Chun, Eleanor and Mr. Look Guy.

Nomination Committee

The Company has established a nomination committee ("Nomination Committee") in March 2005. The Nomination Committee is responsible for, inter alia, determining the policy for the nomination of directors, reviewing the structure, size and composition of the Board on a regular basis and making recommendation to the Board regarding any proposed changes. The present members of the Nomination Committee are Ms. Tam Wai Chu, Maria, who acts as the chairman, Mrs. Kwok Law Kwai Chun, Eleanor and Dr. Leung Kwok Fai, Thomas.

(IV) Investor Relations

The Group is committed to fostering productive and long-term relationships with shareholders and investors through open and prompt communication. Various channels have been established to facilitate transparency. Key information on the Group is available on our corporate website, which is continuously updated. In addition to the Annual General Meeting in which shareholders can put questions to Directors about the Group's performance, press and analysts conferences are held at least twice a year subsequent to the interim and final results announcements. At these conferences, our management team explains the Group's business performance and future direction. The Group also seeks opportunities to communicate its strategies to investors and the public through active participation at investors' conferences, regular meetings with fund managers and potential investors, as well as through press interviews and timely press releases. During the year, the Group attended over 120 individual meetings with analysts, institutional investors and fund managers, as well as participated in various road shows and conferences. These are summarized as follows:

Date	Event	Organiser	Location
March 2005	Asian Investment Conference	CSFB	Hong Kong
December 2004	Nomura Asia Equity Forum	Nomura	Hong Kong
November - December 2004	Road show	CLSA	Hong Kong
November 2004	Investors luncheon	Deutsche Bank	Hong Kong
November 2004	Hong Kong/China Corporate Day – CEPA/Tourism	Deutsche Bank	Hong Kong
November 2004	Morgan Stanley Asia Pacific Summit 2004	Morgan Stanley	Singapore
October 2004	9th Annual Asia Pacific New York Equity Conference	JP Morgan	New York
September 2004	CLSA Investors' Forum 2004	CLSA	Hong Kong
September 2004	Road show	Cazenove	London, Edinburgh & Paris
August 2004	Hong Kong Consumer Day 2004	UBS	Hong Kong
June & July 2004	Road show	CLSA	Hong Kong & Singapore
April 2004	Hong Kong/China Corporate Day	Citigroup Smith Barney	Singapore

PUBLICATION OF FINAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

A detailed results announcement containing all information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules in force prior to 31st March 2004, which remain applicable to results announcement in respect of accounting periods commencing before 1st July 2004 under the transitional arrangements, will be published on the website of the Stock Exchange in due course.

On behalf of the Board, I would like to extend my thanks and appreciation to all our staff for their hard work and commitment and to all of our customers, suppliers and shareholders for their continued support.

By Order of the Board
Kwok Siu Ming, Simon
Chairman and Chief Executive Officer

Hong Kong, 29th June 2005

As at the date of this announcement, the Board comprises of the following directors:–

Executive Directors:
Mr. Kwok Siu Ming, Simon
Mrs. Kwok Law Kwai Chun, Eleanor
Mr. Look Guy

Non-executive Director:
Mrs. Lee Look Ngan Kwan, Christina

Independent Non-executive Directors:
Professor Chan Yuk Shee J.P.
Dr. Leung Kwok Fai, Thomas, J.P.
Ms. Tam Wai Chu, Maria, GBS, J.P.

"Please also refer to the published version of this announcement in China Daily."