making life beautiful

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 ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2006

Highlights

- The Group's turnover increased by 13.3% to HK$2,620.6 million from HK$2,313.7 million in the previous fiscal year
- The Group's retail and wholesale business recorded turnover of HK$2,425.3 million, representing a 14.3% over the previous fiscal year
- Sa Sa's retail and wholesale business in Hong Kong and Macau registered turnover of HK$2,131.3 million, an 11.2% increase as compared to the same period last year
- Overseas retail operations recorded turnover growth of 31.2%, with Sasa.com registering turnover growth of 72.8%
- The Group's profit attributable to equity holders of the Company was HK$185.2 million, as compared to HK$202.1 million, as restated, in the previous fiscal year
- Final dividend per share proposed was 11 HK cents (2005: 11 HK cents), making an annual total dividend of 17 HK cents per share (2005: 17 HK cents)
- Basic earnings per share were 13.9 HK cents, as compared to 15.5 HK cents, as restated, in the previous fiscal year

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 2006 with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st March 2006

	Note	**2006** **HK$'000**	2005 HK$'000 Restated
Turnover	2	**2,620,586**	2,313,706
Cost of sales		**(1,475,495)**	(1,321,817)
Gross profit		**1,145,091**	991,889
Other gains and revenues	2	**60,133**	27,505
Employee benefit expenses		**(433,443)**	(384,903)
Depreciation and amortisation		**(64,281)**	(39,502)
Other operating expenses		**(480,341)**	(363,077)
Fair value changes on investment property and buildings		**2,135**	3,581
Reversal of impairment losses on leasehold land		**10,766**	6,061
Net exchange (losses)/gains		**(17,450)**	4,062
Profit before income tax	3	**222,610**	245,616
Income tax expense	4	**(37,439)**	(43,560)
Profit for the year, attributable to equity holders of the Company		**185,171**	202,056
Dividends	5	**228,952**	224,889
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK cents per share)	6		
Basic		**13.9**	15.5
Diluted		**13.7**	15.1

CONSOLIDATED BALANCE SHEET
As at 31st March 2006

	Note	**2006** **HK$'000**	2005 HK$'000 Restated
ASSETS			
Non-current assets			
Property, plant and equipment		**161,012**	124,275
Leasehold land		**17,892**	7,527
Other assets		**54,687**	47,559
Deferred income tax assets		**16,085**	16,034
		249,676	195,395
Current assets			
Inventories		**359,824**	363,684
Trade receivables	7	**22,091**	20,075
Other receivables, deposits and prepayments		**43,320**	43,923
Income tax recoverable		**1,033**	260
Bank deposits over three months to maturity		**105,018**	290,795
Cash and cash equivalents		**590,678**	452,339
		1,121,964	1,171,076
LIABILITIES			
Current liabilities			
Trade and bills payables	8	**142,987**	120,712
Other payables and accruals		**90,395**	109,113
Current portion of receipts in advance		**188,241**	175,593
Financial liabilities at fair value through profit or loss		**262**	–
Income tax payable		**8,067**	40,105
		429,952	445,523
Net current assets		**692,012**	725,553
Total assets less current liabilities		**941,688**	920,948
Non-current liabilities			
Receipts in advance		**7,159**	–
Retirement benefit obligations		**10,059**	9,435
Deferred income tax liabilities		**5,058**	1,467
Other payables		**5,585**	–
		27,861	10,902
Net assets		**913,827**	910,046
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**134,711**	132,349
Reserves		**630,724**	631,980
Proposed dividends		**148,392**	145,717
Total equity		**913,827**	910,046

Notes:

1. **Basis of preparation**

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). They have been prepared under the historical cost convention, as modified by the revaluation of buildings, financial assets and financial liabilities at fair value through profit or loss and an investment property, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The adoption of new/revised HKFRS

During the year ended 31st March 2006, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004/05 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 15	Operation Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKFRS 2	Share-based Payment

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 24, 27, 33, 36 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 had affected certain financial statement disclosures.

– HKASs 2, 7, 8, 10, 16, 27, 33, 36 and HKAS-Int 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at fair value less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Following the adoption of HKASs 32 and 39, the Group's rental deposits are measured at amortised cost and the carrying amount of the assets is computed by discounting the future cash flows to the present value using the effective interest method. In addition, it has resulted in the recognition of derivative financial instruments at fair value.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values of investment properties are recorded in the income statement. In prior years, the increases in fair value of investment properties were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred income tax liabilities arising from the revaluation of investment properties. Such deferred income tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st March 2005, the provision of share options to employees did not result in an expense in the income statement. Effective on 1st April 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7th November 2002 and had not yet vested on 1st April 2005 was expensed retrospectively in the income statement of the respective periods.

All changes in accounting policies have been made in accordance with the transitional provisions in the respective standards, when applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquires in an exchange of asset transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis;

– HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information. As there was no revaluation surplus as at 31st March 2005, no reclassification of any amount held in revaluation surplus for investment property is necessary;

– HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1st April 2005; and

– HKFRS 2 – only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st April 2005.

(i) The adoption of revised HKAS 17 resulted in a decrease in opening retained earnings at 1st April 2004 by HK$1,213,000.

	Group	
	2006	2005
	HK$'000	*HK$'000*
Decrease in property, plant and equipment	**17,892**	7,527
Increase in leasehold land	**17,892**	7,527
Increase in deferred income tax liabilities	**175**	175
Decrease in deferred income tax assets	**1,038**	1,038
Decrease in depreciation	**401**	290
Increase in amortisation	**401**	290

(ii) The adoption of revised HKAS 39 resulted in:

	Group
	2006
	HK$'000
Increase in financial liabilities at fair value through profit or loss	**262**
Increase in fair value losses on forward foreign exchange contracts	**262**
Decrease in basic earnings per share *(HK cents)*	**–**
Decrease in diluted earnings per share *(HK cents)*	**–**

(iii) The adoption of revised HKFRS 2 resulted in:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Increase in employee share-based compensation reserve	**22,733**	19,769
Decrease in retained earnings	**31,037**	19,769
Increase in share premium	**8,304**	–
Increase in employee benefit expenses	**11,268**	14,551
Decrease in basic earnings per share *(HK cents)*	**0.8**	1.1
Decrease in diluted earnings per share *(HK cents)*	**0.8**	1.4

No early adoption of the following new Standards or Interpretations or Amendments that have been issued but are not yet effective. The directors anticipate that the adoption of these Standards or Interpretations or Amendments will have no material impact on the financial statements of the Group and will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 6 (Amendment)	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS – Int 4	Determining whether an Arrangement contains a Lease
HKFRS – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

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. Turnover represents the invoiced sales value of goods and of services supplied to customers. Revenues recognised during the year are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Turnover		
Retail and wholesale	**2,425,314**	2,122,215
Beauty and health club services	**195,272**	191,491
	2,620,586	2,313,706
Other gains and revenues		
Interest income	**17,518**	12,357
Slide display rental income	**16,873**	13,612
Rental income	**831**	600
Provision for staff costs, including discretionary bonus, made in previous years written back	**23,923**	–
Sundry income	**988**	936
	60,133	27,505
	2,680,719	2,341,211

Segment assets consist primarily of property, plant and equipment, leasehold land, inventories, receivables and operating cash, and exclude club debenture, deferred income tax assets and income tax recoverable. Segment liabilities comprise operating liabilities and exclude financial liabilities at fair value through profit or loss, deferred income tax liabilities and income tax payable. Capital expenditure comprises additions to property, plant and equipment and leasehold land.

(a) *Primary reporting format – business segments*

	Retail and wholesale *HK$'000*	Beauty and health club services *HK$'000*	2006 Total *HK$'000*
Turnover	**2,425,314**	**195,272**	**2,620,586**
Results			
Segment results	**220,248**	**(10,607)**	**209,641**
Interest income			**17,518**
Fair value changes on investment property and buildings	**2,135**	**–**	**2,135**
Reversal of impairment losses on leasehold land	**10,766**	**–**	**10,766**
Net exchange (losses)/gains	**(17,488)**	**38**	**(17,450)**
Profit before income tax			**222,610**
Income tax expense			**(37,439)**
Profit for the year			**185,171**
Segment assets	**1,272,747**	**81,025**	**1,353,772**
Unallocated corporate assets			**17,868**
Total assets			**1,371,640**
Segment liabilities	**221,338**	**223,088**	**444,426**
Unallocated corporate liabilities			**13,387**
Total liabilities			**457,813**
Other information			
Capital expenditure	**91,052**	**8,373**	**99,425**
Depreciation	**47,385**	**16,495**	**63,880**
Amortisation	**401**	**–**	**401**
Write-off of property, plant and equipment	**804**	**8**	**812**
Provision for impairment losses on trade receivables	**–**	**27**	**27**
Provision for slow moving inventories and stock shrinkage	**17,320**	**135**	**17,455**

	Retail and wholesale *HK$'000* Restated	Beauty and health club services *HK$'000* Restated	2005 Total *HK$'000* Restated
Turnover	2,122,215	191,491	2,313,706
Results			
Segment results	222,789	(3,234)	219,555
Interest income			12,357
Fair value changes on investment property and buildings	3,581	–	3,581
Reversal of impairment losses on leasehold land	6,061	–	6,061
Net exchange gains/(losses)	4,317	(255)	4,062
Profit before income tax			245,616
Income tax expense			(43,560)
Profit for the year			202,056
Segment assets	1,272,613	76,694	1,349,307
Unallocated corporate assets			17,164
Total assets			1,366,471
Segment liabilities	210,195	204,658	414,853
Unallocated corporate liabilities			41,572
Total liabilities			456,425
Other information			
Capital expenditure	51,068	13,320	64,388
Depreciation	25,678	13,534	39,212
Amortisation	290	–	290
Write-off of property, plant and equipment	903	22	925
(Reversal of provision for)/provision for impairment losses on trade receivables	(109)	18	(91)
Provision for slow moving inventories and stock shrinkage	22,586	217	22,803

(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 *HK$'000*	Taiwan *HK$'000*	South Asia *HK$'000*	2006 Total *HK$'000*
Turnover	**2,330,351**	**88,962**	**201,273**	**2,620,586**
Segment assets	**1,189,657**	**39,274**	**124,841**	**1,353,772**
Unallocated corporate assets				**17,868**
Total assets				**1,371,640**
Capital expenditure	**83,721**	**7,875**	**7,829**	**99,425**

	Mainland China *HK$'000* Restated	Taiwan *HK$'000* Restated	South Asia *HK$'000* Restated	2005 Total *HK$'000* Restated
Turnover	2,071,828	62,639	179,239	2,313,706
Segment assets	1,204,933	29,954	114,420	1,349,307
Unallocated corporate assets				17,164
Total assets				1,366,471
Capital expenditure	49,108	4,323	10,957	64,388

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

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

3. **Profit before income tax – Group**

Profit before income tax is stated after crediting and charging the following:

	2006 *HK$'000*	2005 *HK$'000* Restated
Crediting		
Gain on disposal of property, plant and equipment	**690**	102
Net exchange gains	**–**	4,062
Reversal of provision for impairment losses on trade receivables	**–**	91
Compensation from landlord for early termination of lease agreement	**5,500**	–
Charging		
Depreciation of property, plant and equipment	**63,880**	39,212
Amortisation of leasehold land	**401**	290
Write-off of property, plant and equipment	**812**	925
Write-off of other assets	**120**	–
Provision for slow moving inventories and stock shrinkage	**17,455**	22,803
Provision for impairment losses on trade receivables	**27**	–
Operating lease rentals in respect of land and buildings	**242,018**	186,402
Net exchange losses	**17,188**	–
Fair value losses on forward foreign exchange contracts	**262**	–
Auditors' remuneration	**2,264**	1,873

4. **Income tax expense – Group**

	2006 *HK$'000*	2005 *HK$'000*
Hong Kong profits tax		
Current	**31,229**	36,862
Under/(over) provision in previous years	**38**	(2,114)
Overseas taxation		
Current	**4,195**	5,205
(Over)/under provision in previous years	**(1,582)**	992
Deferred income tax relating to origination and reversal of temporary differences	**3,559**	2,615
	37,439	43,560

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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 income tax expense on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2006 *HK$'000*	2005 *HK$'000* Restated
Profit before income tax	**222,610**	245,616
Calculated at a taxation rate of 17.5% (2005: 17.5%)	**38,957**	42,983
Effect of different taxation rates in other countries	**(774)**	(390)
Income not subject to income tax	**(6,315)**	(2,780)
Expenses not deductible for income tax purposes	**3,117**	4,924
Utilisation of previously unrecognised tax losses	**(1,385)**	(440)
Tax losses for which no deferred tax asset was recognised	**5,383**	385
Over provision in previous years	**(1,544)**	(1,122)
Income tax expense	**37,439**	43,560

The weighted average applicable tax rate was 17.5% (2005: 18.2%). The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

5. **Dividends – Company**

	2006 *HK$'000*	2005 *HK$'000*
Interim, paid – 3.0 HK cents (2005: 3.0 HK cents) per share	**40,280**	39,586
Special, paid – 3.0 HK cents (2005: 3.0 HK cents) per share	**40,280**	39,586
Final, proposed – 5.0 HK cents (2005: 5.0 HK cents) per share	**67,451**	66,235
Special, proposed – 6.0 HK cents (2005: 6.0 HK cents) per share	**80,941**	79,482
	228,952	224,889

At a meeting held on 29th June 2006, 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 financial statements, but will be reflected as an appropriation of distributable reserve for the year ending 31st March 2007.

6. **Earnings per share**

(a) The calculation of basic and diluted earnings per share is based on the Group's profit attributable to equity holders of the Company of HK$185,171,000 (2005: HK$202,056,000, as restated).

(b) The calculation of basic earnings per share is based on the weighted average of 1,332,919,316 (2005: 1,306,760,549) shares in issue during the year.

(c) The calculation of diluted earnings per share is based on the weighted average of 1,332,919,316 (2005: 1,306,760,549) shares in issue during the year plus the weighted average of 21,410,603 (2005: 30,828,044, as restated) shares deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

7. **Trade receivables**

The Group's turnover are mainly cash and credit card sales. The ageing analysis of trade receivables is as follows:

	Group 2006 *HK$'000*	2005 *HK$'000*
Within 1 month	**20,352**	18,228
1 to 3 months	**1,639**	1,741
Over 3 months	**100**	106
	22,091	20,075

The fair values of trade receivables approximate their carrying amounts.

Trade receivables are mainly denominated in Hong Kong dollars.

During the year, the Group has made a provision for impairment losses on trade receivables of HK$27,000 (2005: reversal of HK$91,000). The provision/reversal of provision has been included in "other operating expenses".

8. **Trade and bills payables**

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

	Group 2006 *HK$'000*	2005 *HK$'000*
Within 1 month	**76,874**	56,721
1 to 3 months	**44,925**	55,296
Over 3 months	**21,188**	8,695
	142,987	120,712

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

Trade and bills payables are mainly denominated in U.S. dollars, Hong Kong dollars and Euro.

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended 31st March 2006, the Group's consolidated turnover amounted to HK$2,620.6 million, representing an increase of 13.3% from HK$2,313.7 million in the previous fiscal year. The Group's consolidated profit attributable to equity holders of the Company was HK$185.2 million, a decrease of 8.4% from the HK$202.1 million, as restated, recorded last fiscal year. The basic earnings per share amounted to 13.9 HK cents.

A number of factors affected the Group's performance. Higher rentals and operational costs, particularly in Hong Kong, partially offset the improved turnover growth and gross profit. The expansion of the Group's retail network led to increased initial costs while sales growth, although showing marked improvement in the second half, was lower than expected. There were start-up losses incurred for entry into the Mainland China market and a one-off adjustment in revenue recognition for exercise memberships in the beauty service business. Purchase of Euro forward contracts and Euro holdings resulted in exchange losses due to fluctuation of the currency. These losses were partially offset by property revaluation and a one-off compensation payment for early termination of a lease.

Retail & Wholesale Business

During the fiscal year 2005/06 the Group's retail and wholesale business saw growth in turnover of 14.3%, reaching HK$2,425.3 million. The overall gross profit margin grew due to our enhanced product mix.

Our inventory turnover days were 89 days for the year ended 31st March 2006, as opposed to 101 days for the previous fiscal year. The Group continued to expand its store network in view of expected tourism growth, driven by various tourism projects in the region in coming years. In view of escalating rentals, the Group started to negotiate for first floor and basement floor areas in order to lower rental costs.

New value-added features were added to our retail services, such as complimentary facial treatment in our stores, and we continued to strengthen brand-building efforts for 'Sa Sa' and the 'beauty specialist' image of Sa Sa in the region. These initiatives included sponsorship of the Miss Hong Kong Pageant 2005 and the Federation Internationale De Volleyball World Grand Prix 2005, as well as the first title sponsorship of the Hong Kong Jockey Club's Sa Sa Ladies' Purse Day in October 2005, one of the most popular racing days in Hong Kong. The race day sponsorship, including outdoor, TV and print adverts, and a series of public relations and joint promotion activities, generated considerable publicity for Sa Sa, its exclusive brands and beauty centres. Overseas markets saw an improvement in sales growth while the sales of Sasa.com also rose significantly.

Hong Kong and Macau

Increased spending by tourists, both from Mainland China and other parts of the world, as well as a pick up in local spending contributed to an increase in turnover of 11.2% in Hong Kong and Macau to HK$2,131.3 million. The year-on-year monthly retail sales growth increased from 8.2% in October 2005, being the lowest point of the year, to 16.5% in March 2006. Monthly same store growth also increased from -14.3% in October 2005 to 5.2% in March 2006. Full year same store sales saw a decline of 4.0%. The overall improvement in the second half of the fiscal year was mainly due to the addition of four new cities in China to the central government's Individual Visit Scheme in November 2005, which led to an increase in the sales contribution from PRC tourists from 33.0% in October to 38.0% in December 2005. This confirmed the management's view of the likely impact of the Individual Visit Scheme to the Group.

The average value per transaction and the total number of transactions increased by 7.1% and 5.0% respectively. During the fiscal year, there was a net increase of eight new stores including two mega stores in Tsim Sha Tsui and Mongkok, each with 8,000 square feet. As at 31st March 2006, the total net retail area had increased by 36.7% as compared to last fiscal year. In total, there were 51 Sa Sa stores, one La Colline specialty store and one Elizabeth Arden counter as at 31st March 2006.

Mainland China

The second Sa Sa store in the People's Republic of China ('PRC') was opened in November 2005 on Nanjing West Road, Shanghai. As at 31st March 2006, there were two Sa Sa stores in Shanghai, providing first hand knowledge of the local cosmetics market and helping to facilitate our planning for future development of the Mainland market in areas such as branding, product and network strategy. Exclusive brands launched included Suisse Programme and 'Sasa' (make-up, skin care, body care and hair care lines). Suisse Programme and Sasa branded products have been well received by the market. In regard to the product registration process of exclusive products, around 500 stock keeping units (SKUs) were completed and approximately 250 SKUs are in progress.

Singapore and Malaysia

Turnover for the Singapore and Malaysian markets grew 25.2% to reach HK$141.1 million. Same store growth rose 11.8% in Singapore, and 16.2% in Malaysia. Overall, there was an improvement in the contribution of Singapore and Malaysia to the Group's results.

In Singapore, performance was affected by the changeover of the country's General Manager. However continuous improvements measures in terms of approach and organisation provide a solid platform for future expansion. The company achieved higher sales with an enhanced product portfolio and increased sales in exclusive products on the back of more focused training. One new store was added, making a total number of 10 stores as at 31st March 2006. In Malaysia, sales of exclusive products grew while training was enhanced. One store closed during the year, making the number of stores 10 at the end of the fiscal year.

Taiwan

Turnover in the Group's Taiwan business increased by 42.0% during the year to HK$89.0 million, with same store growth reaching 10.4%. An increase in contributions to the Group was recorded. However, the banks' tightening of credit control in the fourth quarter and the consequent dampening of consumer spending affected the performance in the fourth quarter of this fiscal year.

Sales of exclusive products grew and productivity improved on the back of strengthened training, but the fast pace of expansion made it challenging to provide enough experienced beauty consultants. Four new stores were added, bringing the total store number to eight as at 31st March 2006.

E-commerce – Sasa.com

Turnover for Sasa.com amounted to HK$52.6 million, representing an increase of 72.8% over the previous fiscal year. The profit margin continued to improve.

Leveraging on the new platform launched last year, an improved marketing strategy and an expanded product range, increased sales were achieved. Pageview reached 11.7 million per month and unique visitors reached 442,000 per month, an increase of 46.0% and 98.0%, respectively, over the previous fiscal year. Total VIP sales including all countries increased from 17.0% to 24.0% of total sales. This demonstrated Sasa.com's success in increasing customer loyalty.

In the WebAward 2005 organised by the Web Marketing Association of the USA, Sasa.com received the 'Standard of Excellence' under the Shopping category, alongside other global brands such as Nike, Godiva, Biotherm and Maidenform. Only two beauty sites, Sasa.com and Biotherm (USA), were included in the list of awardees. The award recognises the excellence of Sasa.com in design, ease of use, content, innovation, copywriting, interactivity and use of technology. Following the invitation to promote its cards at Sasa.com, VISA proved to be one of our more important on-line partners.

Brand Management

Sales of private-label and exclusively distributed products increased by 18.5% and contributed 30.1% to the Group's total retail and wholesale sales for the year ended 31st March 2006. The Group launched Sasa branded products throughout the region in the second half of the year, including colour cosmetics, accessories, skin care, hair care and body care products. The Sasa brand offers a range of quality and value products that provides total solutions for the beauty needs of our customers. These products were well received by the market. During the year, Sa Sa launched an exclusive Swiss skin care brand, Methode Swiss, strengthening the medium-priced product portfolio. New brands secured for Sa Sa's exclusive distributorship included Bergman, Organic Elements, fragrance of Paris Hilton, Ferre, Hummer, Guess, Gas, French Connection and Lulu Guinness, among others.

Reflecting the cosmeceutical trends in the global beauty industry, Sa Sa launched its first Australian cosmeceutical brand, Skin Doctors, in October 2004. In August 2005, Sa Sa added Bergman, a top brand in this category from the Netherlands, to Asia. Since organic skin care products are now playing a more important role in the global beauty market, Sa Sa introduced a famous Italian skin care brand, Organic Elements, to Asia. Efforts were also made to further broaden the product range and to enhance the product mix. On average, over 550 new products were added each month.

During the year, we continued to strengthen our marketing activities, increasing the advertising and promotion budget and launching more products and road shows. We undertook a comprehensive marketing campaign for Suisse Programme, including appointment of a celebrity as image girl, a TV advert, and a series of print adverts and public relations activities, in order to boost the brand image and to launch the new product lines. The market response was overwhelming. Not only was the brand image much enhanced, but sales also increased substantially. Other successful products launched included Elizabeth Arden After Five and Paris Hilton fragrance, of which around 11,800 and 5,500 bottles respectively were sold within three months.

Beauty Services

Turnover for beauty services was HK$195.3 million, representing an increase of 2.0% over the previous fiscal year. The performance was affected by a one-off adjustment in revenue recognition for exercise memberships in the beauty service business and increased cost pressures at Sasa Beauty+. The year saw further integration of our beauty services with our retail business. Phillip Wain provided beauty treatments at the new flagship store in Singapore and Sasa Beauty+ offered beauty services in the new stores in Hong Kong, where treatment rooms are now available. New treatments introduced in Phillip Wain and Sasa Beauty+ included Drum Stimulating Reflexology, Herbal Heat Massage, Radio Frequency Fat Burning Treatment and Light Emitted Diode Supreme Treatment.

Phillip Wain

Phillip Wain offers premium beauty and ladies' health clubs that cater for the discerning customers. Turnover increased by 1.0% to HK$170.2 million. There was a small loss mainly due to a one-off adjustment in revenue recognition for exercise memberships.

The year saw an increase of 6.3% in treatments undertaken. Sales of products also grew and there was a marked improvement in marketing efforts. New exercise classes including Drum Alive and Latin Rhythm were introduced.

Sasa Beauty+

The establishment of Sasa Beauty+ complements our retail business development, providing all-round cosmetics and beauty services to Sa Sa customers. During the year, turnover increased by 9.5% to HK$25.1 million. A small loss was recorded, mainly because the increase in turnover could not offset escalating rental costs. The number of members rose by 20.2%.

Strengthening IT Infrastructure and Operational Systems

In order to build up a common platform with the capability to manage, collaborate and exchange real-time sales and inventory information with all our business partners and to respond to ever-increasing customer demand and market competition, the Group is upgrading its IT infrastructure and adopting the SAP's R3 Enterprise Resource Planning ('ERP') system.

With this globally proven and fully integrated system, we aim to increase our business process efficiency and managerial control through best business practices and management processes. The SAP system also allows us to standardize and increase our transparency of information flow and improve our business decision process by providing detailed, timely and reliable financial, sales and inventory information, as well as enhance our supply chain and customer relationship management capabilities.

These capabilities will give us more understanding of our customer's buying behaviour and purchase patterns, general market trends and potential. They will also help us to improve procurement, inventory management, sales promotion, productivity of sales staff and customer service.

Outlook

We are crafting a sustainable development strategy through a thorough study of prospects that includes a risk management project. In view of the maturing Hong Kong and Macau market, and of the need to adapt and integrate our systems for overseas markets, we are laying the following strategic foundations for our next stage of growth:

- We are strengthening the brand equity of 'Sa Sa'.
- We are reviewing and strengthening our core functions in order to build a stronger base to support future expansion and development. This includes improving the organisational structure of our headquarters in Hong Kong to provide stronger support for the operation of overseas markets.
- In order to provide a solid foothold for expansion into existing and prospective overseas markets as well as Mainland China, we are placing increasing emphasis on product development, marketing and securing exclusive distribution rights for international brands to build a stronger brand and product portfolio for the Group.
- We are adopting SAP's R3 ERP system, as outlined above. In the second half of 2006 we will begin upgrading our IT infrastructure, which will improve the efficiency and effectiveness of our operations, marketing and inventory management.

We aim to expand our retail network in the next four years to operate more than 240 stores in the Asia region. While consolidating continuous growth in our core retail base in Hong Kong and Macau, Sa Sa will increase its penetration in the existing overseas markets of Taiwan, Singapore and Malaysia. This in turn will drive growth for the Group in the medium to long term. Mainland China, a developing market with huge potential, and other new overseas markets will provide growth opportunities for the Group in the long run.

Our strategic initiatives for the future are:

1. *Further growth in the Hong Kong and Macau market*
    - **Hong Kong and Macau are set to continue their development as a major tourist destination in the pan-Asian region.** The further relaxation of the Individual Visit Scheme means that an increasing number of regular visitors from the PRC will continue to drive the base line growth of the cosmetics market in Hong Kong and Macau. These regular visitors are attracted to Hong Kong as a shopping paradise that provides good value, high quality and excellent services. Figures from the Hong Kong Tourism Board reveal that double-digit growth of PRC tourists was recorded from January to April 2006.
    - **There are a number of Government initiatives that are helping to boost tourism.** 2006 is 'Discover Hong Kong Year', during which the Hong Kong Tourism Board is devoting substantial resources to attracting visitors. A number of significant tourism projects are lined up, including casino and hotel projects in Macau, tourist attraction projects such as the ASEAN Games in Hong Kong (2009), and the Olympic Games in Beijing (2008). Moreover, the PRC cities of Nanning, Haikou, Kuming, Guiyang, Changsha and Nanchang were added in May 2006 to the Individual Visit Scheme, bringing the total number of cities within the scheme to 44. More cities are expected to join the scheme in coming years.
    - **A recovery in the local economy is improving local consumer sentiment.** GDP in Hong Kong rose by 8.2% in the first quarter of 2006, following an already robust 7.5% growth in the preceding quarter. Because of the work that Sa Sa has done to increase its attractiveness to local customers and to enhance their loyalty, this growth momentum will undoubtedly benefit Sa Sa. The Group is stepping up its measures to capture both local and tourist spendings. These include: marketing programmes targeting tourists from the PRC and other marketing efforts to attract local customers; strengthening staff training and customer service; and continuing to increase competitiveness through building brand awareness, strengthening the product mix and promotion efforts. By March 2007, Sa Sa aims to add four or five new stores in both tourist areas and non-tourist areas of Hong Kong and Macau.
    - **Applying strategic and disciplined management to an adverse operating environment.** Against a background of rental increases that have exerted pressure on the operating margin of all cosmetic retailers, Sa Sa increased retail space by approximately one-third this financial year. The Group will assess the total retail space, the associated costs and store network in Hong Kong, to match business opportunities with the costs of expansion. Precisely because of its extensive retail network, Sa Sa can bring flexibility and bargaining power to the issue of lease renewal and to the negotiation of new leases. Considering these factors and its leading position in the industry, Sa Sa expects to gain further market share from other market players.

2. *Strengthening overseas market growth*
    Leveraging on our Hong Kong expertise and experience, Sa Sa's business model is being rapidly scaled up for application to overseas markets. These markets are making good progress in the growth of turnover and market share. With a strong platform being built to facilitate further expansion, we are confident this growth momentum will continue.

    Ongoing efforts will be devoted to strengthening marketing, product portfolio and staff training. In addition, we will cautiously monitor the overseas operating and market environments and adjust our expansion plan accordingly to achieve optimum results.

3. *Building a strong foothold in the PRC market*
    Sa Sa has achieved market acceptance in the PRC as a one-stop cosmetics specialty store offering a broad range of quality and professional beauty products and providing professional and value-added service. Good progress has been made and we will continue to strive for operational improvement while preparing for a wider market presence in the future. Initiatives include conducting product registration for more exclusive products. We believe that by offering more exclusive products, we will have a stronger base for growth. The Group's strategic plan is to open five to seven more stores by March 2007, and to open more than 100 stores across the PRC by 2011.

4. *Improving synergy between our beauty services and core retail business*
    Beauty services enhance Sa Sa's overall image as a 'beauty specialist' and strengthen customer loyalty. As such, they are complementary to our core cosmetics retail business. Amid keen competition and a challenging operating environment, Sa Sa will focus on adding innovative treatments and equipment, as well as strengthening the synergy with our core retail business through more joint promotions and cross-selling to increase sales and improve profitability. We are already providing convenience to our retail customers and enhancing their loyalty through in-store treatment rooms that offer facial treatment, manicure and pedicure. We will continue to explore opportunities to expand the scope of these services.

Human Resources

As at 31st March 2006, the Group had a total of 2,531 employees. Staff costs for the year under review were HK$433.4 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 in share options for supervisory and managerial staff. During the year, we continued initiatives to attract, retain, motivate and develop the best people. Various staff development initiatives were implemented through in-house and external training programmes, as well as the provision of financial subsidies for staff's further studies.

FINANCIAL REVIEW

Capital Resources and Liquidity

As at 31st March 2006, the Group's total equity funds were HK$913.8 million including reserves of HK$779.1 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$695.7 million. The Group's working capital was HK$692.0 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.

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

Financial Position

Total funds employed (representing total equity) as at 31st March 2006 were HK$913.8 million, which represented a 0.4% increase over the total funds employed of HK$910.0 million, restated, as at 31st March 2005.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 31st March 2006 and 31st March 2005.

Treasury Policies

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. In this respect, the Group continued to adopt a conservative approach to financial risk management with no significant borrowing during the year. Most of the assets, receipts and payments of the Group are denominated either in Hong Kong or U.S. dollars. 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 2006, the Group had HK$8,000,000 outstanding forward foreign exchange contracts and, subject to certain conditions, was committed to purchase Euro 819,000 at an average exchange rate to U.S. dollars of 1.2588 in the coming year. The exchange rate for one Euro to U.S. dollar as at 31st March 2006 was 1.2109. All the above mentioned foreign exchange contracts were fully materialised subsequent to year-end.

Charge on Group Asset

As at 31st March 2006, no Group asset was under charge to a financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 31st March 2006.

Capital commitment

As at 31st March 2006, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$89.4 million.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board has recommended a final dividend ("Final Dividend") of 5.0 HK cents (2005: 5.0 HK cents) per share and a special dividend ("Special Dividend") of 6.0 HK cents (2005: 6.0 HK cents) per share for the year ended 31st March 2006, payable to shareholders whose names appear on the register of members of the Company ("Register of Members") on 24th August 2006.

The Final Dividend and Special Dividend will be paid around 29th August 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 21st August 2006 to 24th August 2006, 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, 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 18th August 2006.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31st March 2006. The figures in respect of the preliminary announcement of the Group's results for the year ended 31st March 2006 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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) CG Code

The Company is committed to good corporate governance principles and practice and the Board recognizes that it is essential to safeguard the interests of stockholders, customers and employees and uphold accountability and transparency of the Company. The Company has complied with the code provisions ("Code Provisions") in the Code on Corporate Governance Practices ("CG Code") 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 ended 31st March 2006, except for deviations from the Code Provisions A.2.1, A.4.2. and A.5.4., particulars of which are set out below and were previously disclosed in the Company's latest interim report for the six months ended 30th September 2005. With a view to monitor and continuously improve its performance, the Company reviews its corporate governance practices from time to time and always aims to enhance its corporate governance practices in line with local and international practices. Full details of the corporate governance report are set out in the annual report of the Company for the year ended 31st March 2006.

Code Provision A.2.1 – Chairman and Chief Executive Officer

The Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

Mr. Kwok Siu Ming, Simon has been both the chairman and CEO of the Company whose responsibilities were clearly set out in writing and approved by the Board effective on 1st April 2005. Given the Group's current stage of development, the Board considers that vesting the roles of chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation. The Board shall nevertheless review the structure from time to time and it will consider the appropriate move to take should suitable circumstance arise.

Code Provision A.4.2 – Rotation of Directors

The Code Provision A.4.2 stipulated that all directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the articles of association of the Company ("Articles of Association") effective before 25th August 2005, at each annual general meeting, one third of the directors (other than the managing director or joint managing director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding, one third, shall retire from office by rotation. The directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. A retiring director shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election thereat.

To ensure full compliance with the Code Provision A.4.2, relevant amendments to the Articles of Association were proposed and approved by shareholders of the Company at the 2005 annual general meeting held on 25th August 2005.

Code Provision A.5.4 – Model Code for Securities Transactions of Relevant Employees

The Code Provision A.5.4 stipulated that the Board should establish written guidelines on no less exacting terms than the model code for securities transactions by directors of listed issuers in Appendix 10 of the Listing Rules ("Model Code") for relevant employees in respect of their dealings in the securities of the Company. The Company has established a policy with no less exacting terms than the Model Code for the relevant employees in respect of their dealings in the securities of the Company and the relevant policy was approved and adopted by the Board effective on 1st May 2005.

(II) Model Code

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting terms than the required standard set out in the Model Code. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the period.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

The results announcement is published on the websites of the Company (www.sasa.com) and the Stock Exchange (www.hkex.com.hk). The annual report of the Company for the year ended 31st March 2006 will be dispatched to the shareholders of the Company around 13th July 2006.

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 2006

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

Executive Directors:
Mr. Kwok Siu Ming, Simon *(Chairman and CEO)*
Mrs. Kwok Law Kwai Chun, Eleanor *(Vice-chairman)*
Mr. Look Guy *(Chief Financial Officer)*

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Sa Sa International Holdings Limited ("Company") will be held at Salon 3, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 24th August 2006 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31st March 2006.
2. To consider and declare a final dividend and a special dividend for the year ended 31st March 2006.
3. To re-elect the retiring directors and to authorise the board of directors ("Board") to fix the remuneration of the directors ("Directors").
4. To re-appoint auditors and to authorise the Board to fix their remuneration.

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

5. "**THAT**:–

(A) subject to paragraph 5(C) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(B) the approval in paragraph 5(A) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;

(C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph 5(A) and (B), otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares under any options granted under the share option schemes adopted by the Company; (iii) an issue of shares upon the exercise of subscription rights attached to the warrants which might be issued by the Company; (iv) an issue of shares in lieu of the whole or part of a dividend pursuant to any scrip dividend scheme or similar arrangement in accordance with the articles of association of the Company; and (v) any adjustment, after the date of grant or issue of any options, rights to subscribe or other securities referred to in (ii) and (iii) above, in the price at which shares in the Company shall be subscribed, and/or in the number of shares in the Company which shall be subscribed, on exercise of relevant rights under such options, warrants or other securities, such adjustment being made in accordance with, or as contemplated by, the terms of such options, rights to subscribe or other securities, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the time of passing this resolution; and

(D) for the purposes of this resolution:

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

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

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

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

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

6. "**THAT**:–

(A) subject to paragraph 6(C) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase issued shares in the capital of the Company on the Stock Exchange or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, and that the exercise by the Directors of all powers of the Company to purchase such securities are subject to and in accordance with all applicable laws and/or requirement of the Listing Rules or any other stock exchange from time to time, be and is hereby, generally and unconditionally approved;

(B) the approval in paragraph 6(A) shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the Directors;

(C) the aggregate nominal amount of share capital of the Company purchased or agreed conditionally or unconditionally to be purchased by the Company pursuant to the approval in paragraph 6(A) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the time of passing this resolution; and

(D) for the purposes of this resolution:

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

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

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

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

7. "**THAT** conditional upon the passing of the ordinary resolutions numbered 5 and 6 in the notice convening this meeting, the aggregate nominal amount of the shares in the capital of the Company which are purchased by the Company pursuant to and in accordance with the said resolution numbered 6 shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with the resolution numbered 5 set out in this notice of meeting."

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

Hong Kong, 29th June 2006

Notes:

1. The register of members of the Company will be closed from 21st August 2006 to 24th August 2006, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share and transfer office, Abacus Share Registrars Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 18th August 2006.
2. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend in his stead.
3. The enclosed form of proxy and (if required by the Board) the power of attorney or other authority (if any), under which it is signed, or a notarially certified copy of such power or authority shall be deposited at the Company's branch share and transfer office, Abacus Share Registrars Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not less than forty-eight hours before the time appointed for holding the above meeting or adjourned meeting at which the person named in the enclosed form of proxy proposes to vote, or, in the case of a poll taken subsequently to the date of the above meeting or adjourned meeting, not less than forty-eight hours before the time appointed for the taking of the poll, and in default the enclosed form of proxy shall not be treated as valid provided always that the chairman of the meeting may at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited upon receipt of telex or cable or facsimile confirmation from the appointor that the instrument of proxy duly signed is in the course of transmission to the Company. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most, or as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.
5. The enclosed form of proxy must be signed by the appointor or of his attorney authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.

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