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 2007

Highlights

- The Group's turnover increased by 10.3% to HK$2,889.2 million from HK$2,620.6 million in the previous fiscal year
- The Group's retail and wholesale business recorded turnover of HK$2,676.8 million, representing a 10.4% rise over the previous fiscal year
- Sa Sa's retail and wholesale business in Hong Kong and Macau registered turnover of HK$2,297.0 million, an 7.8% increase as compared to the same period last year
- Overseas operations (Singapore, Malaysia and Taiwan) recorded turnover growth of 32.8%, with Sasa.com registering turnover growth of 7.7%
- The Group's profit attributable to equity holders of the Company was HK$221.8 million, as compared to HK$185.2 million in the previous fiscal year, a rise of 19.8%
- Basic earnings per share were 16.4 HK cents, as compared to 13.9 HK cents the previous fiscal year
- Final and special dividend per share proposed was 11.0 HK cents (2005/06: 11.0 HK cents), making a total annual dividend of 17.0 HK cents per share (2005/06: 17.0 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 2007 with comparative figures for the previous year as follows. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2007

	Note	2007 HK$'000	As restated 2006 HK$'000
Turnover	2	**2,889,237**	2,620,586
Cost of sales		**(1,617,089)**	(1,533,805)
Gross profit		**1,272,148**	1,086,781
Other income	2	**20,370**	18,692
Selling and distribution costs		**(923,170)**	(793,577)
Administrative expenses		**(143,018)**	(126,178)
Other gains		**20,958**	19,374
Operating profit		**247,288**	205,092
Interest income		**24,216**	17,518
Profit before income tax		**271,504**	222,610
Income tax expense	4	**(49,711)**	(37,439)
Profit for the year, attributable to equity holders of the Company		**221,793**	185,171
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK cents per share)	5		
Basic		**16.4**	13.9
Diluted		**16.3**	13.7
Dividends	6	**232,397**	228,952

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**138,771**	155,012
Leasehold land		**29,556**	17,892
Investment property		**8,600**	6,000
Rental deposits and other assets		**55,606**	54,687
Deferred income tax assets		**16,683**	16,085
		249,216	249,676
Current assets			
Inventories		**384,034**	359,824
Trade receivables	7	**30,824**	22,091
Other receivables, deposits and prepayments		**62,554**	43,320
Income tax recoverable		**105**	1,033
Bank deposits over three months to maturity		**125,862**	105,018
Cash and cash equivalents		**569,985**	590,678
		1,173,364	1,121,964
LIABILITIES			
Current liabilities			
Trade and bills payables	8	**121,272**	142,987
Other payables and accruals		**92,217**	90,395
Current portion of receipts in advance		**203,423**	188,241
Financial liabilities at fair value through profit or loss		**-**	262
Income tax payable		**28,189**	8,067
		445,101	429,952
Net current assets		**728,263**	692,012
Total assets less current liabilities		**977,479**	941,688
Non-current liabilities			
Receipts in advance		**7,891**	7,159
Retirement benefit obligations		**9,965**	10,059
Deferred income tax liabilities		**2,693**	5,058
Other payables		**6,340**	5,585
		26,889	27,861
Net assets		**950,590**	913,827
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**136,862**	134,711
Reserves	9	**662,899**	630,724
Proposed dividends		**150,829**	148,392
Total equity		**950,590**	913,827

Notes:

1. (a) Basis of preparation

The consolidated financial statements of Sa Sa International Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, 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 Group's accounting policies.

(i) Amendments to published standards mandatory for financial year ended 31st March 2007

Hong Kong Accounting Standard ("HKAS") 19 (Amendment), Employee Benefits, is mandatory for the Group's accounting periods beginning on or after 1st January 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group has not changed the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

(ii) Interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st May 2006 or later periods the Group has not been early adopted:

HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosures, introduces new disclosures relating to financial instruments. The Group will apply HKFRS 7 from 1st April 2007, but it is not expected to have any impact on the classification and valuation of the Group's financial instruments.

HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1st May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments - where the identifiable consideration received is less than the fair value of the equity instruments issued - to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1st April 2007, but it is not expected to have any impact on the Group's consolidated financial statements.

HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1st November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1st April 2007, but it is not expected to have any impact on the Group's consolidated financial statements.

(iii) Interpretation to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st May 2006 or later periods but are not relevant for the Group's operations:

- HK(IRFIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1st March 2006). HK(IFRIC)-Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities has a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations.

- HK(IFRIC)-Int 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1st June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment if required. As none of the group entities has changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations.

(iv) Standards, amendments and interpretations effective for the year ended 31st March 2007 but not relevant for the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1st January 2006 but are not relevant to the Group's operations:

- HKAS 21 Amendment – New 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 and IFRS 4 Amendment – Financial Guarantee Contracts;
- HKFRS 6, Exploration for and Evaluation of Mineral Resources;
- HKFRS 1 Amendment – First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- HK(IFRIC)-Int 4, Determining whether an Arrangement contains a Lease;
- HK(IFRIC)-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment.

(b) Comparative figures

Where necessary, prior year amounts have been reclassified to conform with changes in presentation in the current year. The major reclassifications for the 2005/06 comparative figures include reclassification of certain expenses from selling and distribution costs to cost of sales.

2. Revenues, turnover and segment information

The Group is principally engaged in the retailing and wholesaling of cosmetic products and the provision of beauty and health club services. Turnover represents the invoiced sales value of goods and of services supplied to customers. Revenues recognised during the year are as follows:

	2007	2006
	HK$'000	HK$'000
Turnover		
Retail and wholesale	**2,676,816**	2,425,314
Beauty and health club services	**212,421**	195,272
	2,889,237	2,620,586
Other income		
Slide display rental income	**17,797**	16,873
Rental income	**1,273**	831
Sundry income	**1,300**	988
	20,370	18,692
	2,909,607	2,639,278

Segment assets consist primarily of property, plant and equipment, leasehold land, investment property, inventories, receivables and operating cash, and exclude certain corporate assets and tax. Segment liabilities comprise operating liabilities and exclude financial liabilities at fair value through profit or loss and tax. Capital expenditure comprises additions to property, plant and equipment, leasehold land and investment property.

(a) Primary reporting format - business segments

	Retail and wholesale HK$'000	Beauty and health club services HK$'000	2007 Total HK$'000
Turnover	**2,676,816**	**212,421**	**2,889,237**
Results			
Segment results	**247,474**	**(186)**	**247,288**
Interest income			**24,216**
Profit before income tax			**271,504**
Income tax expense			**(49,711)**
Profit for the year			**221,793**
Segment assets	**1,311,522**	**93,520**	**1,405,042**
Unallocated corporate assets			**17,538**
Total assets			**1,422,580**
Segment liabilities	**201,304**	**239,804**	**441,108**
Unallocated corporate liabilities			**30,882**
Total liabilities			**471,990**
Other information			
Capital expenditure	**49,013**	**8,753**	**57,766**
Depreciation	**63,813**	**13,613**	**77,426**
Amortisation	**428**	**-**	**428**
Write-off of property, plant and equipment	**1,660**	**22**	**1,682**
Provision for impairment losses on trade receivables	**-**	**52**	**52**
Provision for/(reversal of provision for) slow moving inventories and stock shrinkage	**24,172**	**(350)**	**23,822**
Fair value gain on investment property	**2,600**	**-**	**2,600**
Reversal of impairment losses on leasehold land	**12,092**	**-**	**12,092**
Net exchange gains	**3,317**	**124**	**3,441**

	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	215,661	(10,569)	205,092
Interest income			17,518
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
Fair value gain on investment property	1,400	-	1,400
Fair value gain on buildings	735	-	735
Reversal of impairment losses on leasehold land	10,766	-	10,766
Net exchange losses/(gains)	17,488	(38)	17,450

(b) Secondary reporting format - geographical segments

The Group operates in Mainland China and Special Administrative Regions ("SAR"), Taiwan and South Asia. SAR includes Hong Kong and Macau. South Asia comprises Thailand, Malaysia and Singapore.

	Mainland China and SAR HK$'000	**Taiwan HK$'000**	**South Asia HK$'000**	**2007 Total HK$'000**
Turnover	**2,516,353**	**120,056**	**252,828**	**2,889,237**
Segment assets	**1,203,837**	**54,915**	**146,290**	**1,405,042**
Unallocated corporate assets				**17,538**
Total assets				**1,422,580**
Capital expenditure	**38,941**	**5,989**	**12,836**	**57,766**

	Mainland China and SAR 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

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

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

3. Expenses by nature

	2007 HK$'000	2006 HK$'000
Cost of inventories sold	**1,555,948**	1,475,495
Employee benefit expenses (including directors' emoluments)	**483,323**	433,443
Depreciation of property, plant and equipment	**77,426**	63,880
Amortisation of leasehold land	**428**	401
Write-off of property, plant and equipment	**1,682**	812
Write-off of other assets	**-**	120
Provision for impairment losses on trade receivables	**52**	27
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**280,470**	237,042
- contingent rent	**5,343**	4,994
Auditors' remuneration	**2,857**	2,264
Others	**275,748**	235,082
Total cost of sales, selling and distribution costs and administrative expenses	**2,683,277**	2,453,560

4. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2007 HK$'000	2006 HK$'000
Hong Kong profits tax		
Current	**46,880**	31,229
Under provision in previous years	**73**	38
Overseas taxation		
Current	**4,561**	4,195
Under/(over) provision in previous years	**224**	(1,582)
Deferred income tax relating to origination and reversal of temporary differences	**(2,015)**	3,559
Decrease in opening net deferred tax assets resulting from decrease in tax rate	**(12)**	-
	49,711	37,439

5. 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$221,793,000 (2006: HK$185,171,000).

(b) The calculation of basic earnings per share is based on the weighted average of 1,354,258,744 (2006: 1,332,919,316) shares in issue during the year.

(c) The calculation of diluted earnings per share is based on the weighted average of 1,354,258,744 (2006: 1,332,919,316) shares in issue during the year plus the weighted average of 6,790,164 (2006: 21,410,603) shares deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

6. Dividends

	2007	2006
	HK$'000	HK$'000
Interim, paid – 3.0 HK cents (2006: 3.0 HK cents) per share	**40,784**	40,280
Special, paid – 3.0 HK cents (2006: 3.0 HK cents) per share	**40,784**	40,280
Final, proposed – 5.0 HK cents (2006: 5.0 HK cents) per share	**68,559**	67,451
Special, proposed – 6.0 HK cents (2006: 6.0 HK cents) per share	**82,270**	80,941
	232,397	228,952

At a meeting held on 28th June 2007, 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 have not been reflected as dividend payables in these financial statements, but will be reflected as an appropriation of distributable reserve for the year ending 31st March 2008.

7. Trade receivables

The Group's turnover are mainly cash and credit card sales. Certain wholesale customers are granted credit terms ranging from 7 to 30 days. The ageing analysis of trade receivables is as follows:

	2007	2006
	HK$'000	HK$'000
Within 1 month	**27,843**	20,352
1 to 3 months	**2,326**	1,639
Over 3 months	**655**	100
	30,824	22,091

The fair values of trade receivables approximate their carrying amounts.

During the year, the Group has made a provision for impairment losses on trade receivables of HK$52,000 (2006: HK$27,000). The provision has been included in selling and distribution costs.

8. Trade and bills payables

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

	2007	2006
	HK$'000	HK$'000
Within 1 month	**68,576**	76,874
1 to 3 months	**46,655**	44,925
Over 3 months	**6,041**	21,188
	121,272	142,987

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

9. Reserves

In accordance with the Group's accounting policies, buildings are stated at fair value. Increases in carrying value arising on revaluation of buildings are credited to building revaluation reserve to the extent that it is not covered by deficits arising on prior valuations of that asset which have been previously charged to the consolidated income statement. Such reserve has an attributable accumulated surplus of HK$3,763,000 as at 31st March 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st March 2007, the Group's consolidated turnover amounted to HK$2,889.2 million, representing an increase of 10.3% from HK$2,620.6 million last year. The Group's consolidated profit attributable to equity holders of the Company was HK$221.8 million, a rise of 19.8% over the HK$185.2 million recorded last fiscal year. Basic earnings per share were 16.4 HK cents.

The satisfactory performance of the Group reflected a number of positive factors. There was an increase in turnover in all markets and business units, particularly the overseas markets. The Group achieved higher net margin in its retail business because of a significant improvement in the retail business' gross profit margin to 43.6%, which in turn was due to enhanced product mix. The higher gross profit margin helped offset increased rental and operational costs. In the Mainland China market, the number of stores increased from two in the previous fiscal year to five stores plus six beauty counters in the year under review. The expenses involved in the initial set up of these additional new stores in Mainland China contributed to increased losses in that market.

Retail & Wholesale Business

During the fiscal year 2006/07 the Group's retail and wholesale business saw growth in turnover of 10.4%, reaching HK$2,676.8 million. The retail business' gross profit margin improved significantly to 43.6% from 40.7% the previous fiscal year due to enhanced product mix. The high turnover growth rate in all overseas markets continued. The Group's inventory turnover days reduced to 90 days as at 31st March 2007, after allowing a build up to 115 days on 30th September 2006 to make a buffer for stock issues during the implementation of SAP's Enterprise Resource Planning ("ERP") system. The year-end stock turnover days of 90 days was similar to the 89 days recorded last fiscal year. Overall, as of 31st March 2007, the Group operated 104 retail outlets including stores and beauty counters in six markets in Asia, plus a portal offering a global online shopping service.

Hong Kong and Macau

Despite keen competition in Hong Kong, Sa Sa continues to maintain its leading market share. Spending by local consumers and tourists, mainly from Mainland China, contributed to turnover of HK$2,297.0 million, an increase of 7.8% from HK$2,131.3 million last year. Same store sales saw growth of 2.1%. While the number of transactions recorded a slight increase, there was a marked rise in the average value per transaction to HK$265.0, an increase of 6.7% over the previous fiscal year.

The gross profit margin of our retail business in Hong Kong and Macau increased to 43.6% from 40.6% the previous fiscal year on the back of enhanced product mix, a factor that helped offset the impact of increasing rental costs. The Group maintained a prudent cost control during the year. It also further strengthened Sa Sa's branding by participating in various marketing and corporate sponsorship activities including movie sponsorship, sponsorship of the Miss Hong Kong Pageant 2006 and the Ladies' Purse Day of the Hong Kong Jockey Club. The Group opened three new stores and closed one store during the period. As at 31st March 2007, there were 53 Sa Sa stores (including four in Macau), one La Colline specialty store and one Elizabeth Arden counter in Hong Kong and Macau.

Mainland China

During the year under review, the Group's strategy for expansion in Mainland China continued apace. In April 2006, we added one beauty counter and in September opened the third store. In the second half of the fiscal year, we added two new stores and five beauty counters to our portfolio. As at 31st March 2007, the Group was operating five Sa Sa stores as well as six beauty counters under the Suisse Programme brand.

The Group's first two stores, both of which were located in Shanghai with a floor area of 4,000 sq. ft., served as flagship stores for the purpose of building the Sa Sa brand image in Mainland China. Leveraging on the knowledge gained of the local operating environment, the Group speeded up its store openings in the second half of the fiscal year by targeting store size in the range of 1,000 to 2,000 sq. ft.

The Group continued to build on its strategy of focusing on professional skin care brands to differentiate Sa Sa from the competition, and of setting up department store counters for brands under Sa Sa management to enhance their exposure in the market. The first beauty counter under our exclusive brand, Suisse Programme, was opened in Seibu department store in Chengdu in April 2006, followed by another five beauty counters located in various department stores in Shanghai, Beijing, Changsha and Wenzhou. Now our exclusive brands are sold through both beauty counters in department stores and Sa Sa stores.

New exclusive brands launched during the year included Méthode Swiss and Beauty Formula. In terms of product registration for our exclusive products, about 640 products were completed and 340 products are in progress.

Singapore and Malaysia

Turnover for the Singapore market rose 35.3% to reach HK$122.3 million, while that of the Malaysian market rose 24.7% to reach HK$63.3 million. Same store sales growth was up 1.3% in Singapore, and 8.7% in Malaysia. Three new stores were added to our portfolio in Singapore, with the total number of stores reaching 13 as of 31st March 2007. At the same time, four new stores were added in Malaysia to make a total of 14 stores.

The addition of these new stores and increased sales productivity resulted in higher turnover growth, which in turn increased the market share of the Group in these markets. Gross profit margin rose in both markets through improved product mix. Overall, there was an improvement in the contribution of Singapore and Malaysia to the Group's results.

Taiwan

Turnover in the Group's Taiwan business increased 35.0% during the fiscal year to HK$120.1 million, with same store growth rising 0.4%. Same store growth became more positive in the second half of the year, rising 4.3%. Performance in this market was affected by the tightening of credit card controls by local banks from the beginning of 2006 onwards, and of the political demonstrations in the second half of the year. The Group added three new stores to its portfolio, bringing the total store number to 11 as at 31st March 2007.

E-commerce - Sasa.com

Turnover for Sasa.com amounted to HK$56.7 million, an increase of 7.7% over the previous fiscal year. There was a further improvement in the gross profit margin and a small profit was recorded. Sales increased due to an expanded product range and the number of unique visitors reached 420,000 per month, a rise of 53.0% over the previous year. A complete upgrading of the web site is in progress in order to enhance Sasa.com's usability and sales productivity.

Brand Management

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

Sales of own-label and exclusively distributed products increased by 24.5% and contributed to 34.8% of the Group's total retail and wholesale sales for the year ended 31st March 2007, a rise of 4.1% over the previous fiscal year. The Group strengthened its exclusive brands portfolio to build the foundation for future growth. We also expanded the product categories and product range to cater for various market segments. New product lines were added to existing exclusive brands, such as a skin care line to Cyber Colors and a make-up line to Suisse Programme.

New exclusive brands secured include Méthode Swiss from Switzerland, Natio from Australia, Somang from Korea, and the fragrances of Disney, Ferrari, Tous, Trussardi, Mauboussin and Leonard. As at 31st March 2007, Sa Sa represented over 100 international brands as sole agent / distributor.

During the year 2006/07, we continued to strengthen our marketing activities to promote brands under management. Large-scale marketing campaign including the appointment of image girl and a TV commercial was conducted for the new product launch of our exclusive brand. Further promotional support came in the form of MTR adverts, atrium road shows, billboards, magazine and newspaper adverts, celebrities' testimonials, skin care / make-up workshops, press releases, product sponsorship, and joint promotions with other business partners such as credit cards.

Beauty Services

Turnover for beauty services was HK$212.4 million, representing an increase of 8.8% over the previous fiscal year. Beauty services provided contribution to the Group's results for the year under review. An improved sales mix helped improve the performance. New treatments and courses introduced included Bipolar RF Skin Renewal Treatment, Triple Act Cellu-Free Therapy, and exercise classes such as Rock'n Roll Stretch and Gliding Tone.

Strengthening 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 has upgraded its IT infrastructure and adopted the SAP's R3 ERP system. The ERP system was implemented in July 2006. With this integrated system, we aim to increase our business process efficiency and managerial control through best business practices and management processes. The SAP system via the integration with our Business Intelligence system and our customer relationship management system also allows us to improve our business decisions on the basis of detailed, timely and reliable financial, sales and inventory information, as well as to improve our supply chain process and customer relationship management capabilities. Customization and enhancement to support retail specific features such as consignment item handling and replenishment flexibility are still underway.

These capabilities will give us more understanding of our customers' buying behavior 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

Regional Strategic Initiatives

In order to build on the platform provided by the success of the Hong Kong and Macau market, the Group is implementing a series of strategic initiatives across the region. Our initiative to strengthen brand management is making good progress.

We are continuing to enhance our product mix and portfolio, thereby not only providing a more solid foundation for Group's future expansion, but also helping to improve the long-term profitability of the Group. We are further developing our partnership with all suppliers, including suppliers on a non-exclusive basis, in order to boost brand awareness of their respective brands and to enhance the marketing of exclusive brands and the retail brand "Sa Sa" to support the development of the brands.

In terms of operational efficiency, we will continue to upgrade various aspects of our infrastructure and systems, as well as to improve training in order to provide an even stronger base for future expansion and development. And we will further build the complementary role of beauty services to support our core retail business by providing a comprehensive "one-stop" beauty concept for the Group, such as treatment rooms in our stores.

Hong Kong and Macau

In order to capture the opportunities arising from the improving local economy, Sa Sa will continue to expand its local retail network and strengthen its marketing initiatives towards local consumers in Hong Kong and Macau.

Figures supplied by the Hong Kong Tourism Board suggest that more Mainland tourists are visiting Hong Kong through the Individual Visit Scheme, rather than by joining a package tour. This trend is extending the visitor's shopping time in Hong Kong. Also, a series of measures were taken by the relevant authorities in Hong Kong and Mainland China to curb rogue retailers. As a result, Mainland tourists now prefer shopping at reputable chain stores. Because of the excellent reputation and trust that Sa Sa has enjoyed among PRC consumers over the years, and our well-known commitment to delivering quality products and services, Sa Sa is likely to benefit from this "flight to quality".

Against a background of continuing strength in the PRC economy, Mainland visitors' spending power is steadily increasing, which will also benefit Sa Sa as one of the prime shopping destinations for such tourists. Indeed, Sa Sa continues to be the favourite Hong Kong brand of visitors from the Mainland, as evidenced in various national surveys of consumers that identify cosmetics as one of the key items at the top of PRC tourists' shopping lists.

On the operational front, the Group is bringing flexibility to the issue of lease renewal and to the negotiation of new leases to improve operational efficiency amid the existing market conditions in Hong Kong and Macau. The Group is also focusing on increasing same store growth.

Mainland China and Overseas Markets

In terms of overseas markets, the Group will continue to put emphasis on increasing market share across Asia. New store concepts will be introduced to capture the opportunities arising in local markets and we will focus on network expansion through opening of retail stores and setting up beauty counters under our exclusive brands in department stores.

We are laying the foundation for the Group's next stage of growth in the region by concentrating on strengthening our product portfolio, building management resources, and improving operational management in both Mainland and overseas markets. The Group is optimistic about the growth of our retail business across the region in the coming year and remains confident that our store expansion plan will be achieved by 2011, allowing the Group to reach a target of not less than 240 stores in the region.

PEOPLE DEVELOPMENT

As at 31st March 2007, the Group had a total of 2,636 employees. Staff costs for the year under review were HK$483.3 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 2007, the Group's total equity funds were HK$950.6 million including reserves of HK$813.7 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$695.8 million. The Group's working capital was HK$728.3 million. Based on the Group's steady cash inflow from operations and coupled with its existing cash and bank facilities, the Group has adequate financial resources to fund its future expansion.

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

Financial Position

Total funds employed (representing total equity) as at 31st March 2007 were HK$950.6 million, which represented a 4.0% increase over the total funds employed of HK$913.8 million as at 31st March 2006.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 31st March 2007 and 31st March 2006.

Treasury Policies

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

Charge on Group Asset

As at 31st March 2007, no Group asset was under charge to a financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 31st March 2007.

Capital Commitments

As at 31st March 2007, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$75.1 million.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board has recommended a final dividend ("Final Dividend") of 5.0 HK cents (2006: 5.0 HK cents) per share and a special dividend ("Special Dividend") of 6.0 HK cents (2006: 6.0 HK cents) per share for the year ended 31st March 2007, payable to shareholders whose names appear on the register of members of the Company ("Register of Members") on 23rd August 2007.

The Final Dividend and Special Dividend will be paid around 28th August 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 20th August 2007 to 23rd August 2007, 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 17th August 2007.

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 2007. The figures in respect of the preliminary announcement of the Group's results for the year ended 31st March 2007 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, transparency and responsibility 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 2007 except for deviation from the A.2.1 of the Code Provisions in the CG Code, 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 2006. 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 2007.

Code A.2.1 - Chairman and Chief Executive Officer ("CEO")

The code provision A.2.1 of the CG Code stipulated that the roles of chairman and 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.

(II) Model Code

The Company has 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 transaction by directors of listed companies ("Model Code") 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 throughout the year.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The results announcement is required to be published on the website of Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkex.com.hk under "Lastest Listed Companies Information" and the Company at www.sasa.com under "Corporate Informaion/Corporate Governance/Announcement" respectively. The annual report of the Company for the year ended 31st March 2007 will be dispatched to the shareholders around 12th July 2007 and published on the websites of the HKEX's and the Company's websites 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 CEO

Hong Kong, 28th June 2007

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.*
Ms. Ki Man Fung, Leonie, *J.P.*
Dr. Leung Kwok Fai, Thomas, *J.P.*
Ms. Tam Wai Chu, Maria, *GBS*, *J.P.*