SA SA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 178)

Annual Results for the year ended 31 March 2010
Dividends and Closure of Books

Highlights

- The Group's turnover increased by 13.9% to HK$4,111.3 million
- Turnover in Hong Kong and Macau registered growth of 10.3% to HK$3,288.1 million
- Non-Hong Kong and Macau sales increased by 31.1%
- Profit for the year was HK$381.1 million, an increase of 20.6% from HK$316.0 million recorded last fiscal year
- The net profit margin of the Group increased by 0.5% to 9.3%
- Basic earnings per share were 27.5 HK cents, as compared to 22.9 HK cents in the previous fiscal year
- Final and special dividend per share proposed is 19.0 HK cents (2008/09: 17.0 HK cents), making a total annual dividend of 28.0 HK cents per share (2008/09: 23.0 HK cents)
- Sa Sa received the Platinum Award in the Non-Hang Seng Index (Mid-to-small Market Capitalisation) Category of the Best Corporate Governance Disclosure Awards 2009 organised by the Hong Kong Institute of Certified Public Accountants

The Board of Directors of Sa Sa International Holdings Limited has pleasure in presenting the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2010 with comparative figures for the previous year as follows.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2010	2009
ASSETS		**HK$'000**	HK$'000
Non-current assets			
Property, plant and equipment		**133,856**	114,774
Leasehold land		**27,167**	27,964
Investment property		**11,700**	10,000
Rental deposits and other assets		**92,212**	63,885
Deferred income tax assets		**3,468**	2,657
		268,403	219,280
Current assets			
Inventories		**563,159**	468,670
Trade receivables	8	**38,589**	25,280
Other receivables, deposits and prepayments		**65,818**	81,456
Bank deposits over three months		**253,728**	35,863
Cash and cash equivalents		**392,580**	584,633
		1,313,874	1,195,902
LIABILITIES			
Current liabilities			
Trade and bills payables	9	**175,912**	144,475
Other payables and accruals		**156,337**	111,397
Income tax payable		**35,372**	21,851
		367,621	277,723
Net current assets		**946,253**	918,179
Total assets less current liabilities		**1,214,656**	1,137,459
Non-current liabilities			
Retirement benefit obligations		**4,111**	4,193
Deferred income tax liabilities		**3,660**	1,256
Other payables		**11,015**	9,261
		18,786	14,710
Net assets		**1,195,870**	1,122,749
EQUITY			
Capital and reserves			
Share capital		**139,131**	138,125
Reserves		**791,917**	749,809
Proposed dividends		**264,822**	234,815
Total equity		**1,195,870**	1,122,749

Notes:

1. **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 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.

2. **Accounting policies**

Changes in accounting policy and disclosures

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

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

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

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

2. **Accounting policies** (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Revenues, turnover and segment information

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

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

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

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

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

3. Revenues, turnover and segment information (continued)

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

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

3. **Revenues, turnover and segment information** (continued)

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

4. Expenses by nature

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

5. Income tax expenses

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

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

6. Earnings per share

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

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

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

7. Dividends

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

At a meeting held on 24 June 2010, the directors proposed a final dividend of 5.0 HK cents and a special dividend of 14.0 HK cents per share. These proposed dividends have not been reflected as dividend payables in these consolidated financial statements, but will be reflected as an appropriation of distributable reserve for the year ending 31 March 2011.

8. Trade receivables

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

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

The fair values of trade receivables approximate their carrying amounts.

9. Trade and bills payables

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

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

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

MANAGEMENT DISCUSSION & ANALYSIS

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

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

Market Overview

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

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

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

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

Retail and Wholesale Business

Hong Kong and Macau

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

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

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

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

Mainland China

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

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

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

Singapore and Malaysia

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

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

Taiwan

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

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

E-commerce - sasa.com

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

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

Brand Management

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

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

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

Outlook

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

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

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

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

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

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

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

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

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

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

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

Conclusion

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

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

Human Resources

As at 31 March 2010, the Group had a total of 2,826 employees. Staff costs for the year under review were HK$554.8 million. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. Performance bonus and share options are then offered to qualified employees. A performance-based element is included in the annual discretionary bonus for all staff as well as in share options for supervisory and managerial staff. The Group places strong emphasis on staff training and development in order to realise the full potential of our employees. In addition to the graduate trainee programme, various staff development initiatives are implemented during the year through in-house and external training programmes. Financial subsidies for further studies in related fields are also provided.

Financial Review

Capital Resources and Liquidity

As at 31 March 2010, the Group's total equity funds were HK$1,195.9 million including reserves of HK$1,056.7 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$646.3 million. The Group's working capital was HK$946.3 million. Based on the Group's steady cash inflow from operations and coupled with its existing cash and bank facilities, the Group has adequate financial resources to fund its future expansion.

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

Financial position

Total funds employed (representing total equity) as at 31 March 2010 were HK$1,195.9 million, which represented a 6.5% increase over the total funds employed of HK$1,122.8 million as at 31 March 2009.

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

Treasury Policies

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

Charge on Group Asset

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

Contingent Liabilities

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

Capital Commitments

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

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommends a Final Dividend of 5.0 HK cents (2009: 5.0 HK cents) per share and a Special Dividend of 14.0 HK cents (2009: 12.0 HK cents) per share for the year ended 31 March 2010, such dividends will be proposed at the annual general meeting of the Company on Thursday, 26 August 2010, and are payable to shareholders whose names appear on the Register of Members of the Company on 26 August 2010.

Subject to approval by the Company's shareholders, the Final Dividend and Special Dividend will be paid on or around Tuesday, 31 August 2010.

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 31 March 2010. The financial information included in this preliminary announcement have been agreed with the Group's auditor, PricewaterhouseCoopers. 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 ended 31 March 2010, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The directors are committed to maintaining the highest standard of corporate governance which they believe will create long term value for shareholders. Throughout the year ended 31 March 2010, the Company has complied with all the code provisions set out in the Corporate Governance Practices (the "CG Code") except for one deviation explained below.

Code Provision A.2.1 - Chairman and Chief Executive Officer

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer (the "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.

Dr KWOK Siu Ming Simon is both the chairman and CEO of the Company. The respective responsibilities of the chairman and the CEO, however, are clearly set out in writing and approved by the Board. Given the Group's current stage of development, the Board considers that vesting the roles of chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes the effectiveness of its operation. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.

Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

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

The annual report of the Company for the year ended 31 March 2010 which outlines the Group's system of governance and provides a summary of how it has applied the main principles of the CG Code and beyond, will be dispatched to the shareholders on or around Friday, 9 July 2010, and be published on the respective websites of Hong Kong Exchanges and Clearing Limited and the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 23 August 2010 to Thursday, 26 August 2010, both dates 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 for the transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 20 August 2010.

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, 24 June 2010

As at the date of this announcement, the directors of the Company are:-

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

Non-executive Directors
Mrs LEE LOOK Ngan Kwan Christina
Mr TAN Wee Seng

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