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)

Annual Results for the year ended 31 March 2015
Dividends and Closure of Books

Highlights

- The Group's turnover increased by 2.7% from HK$8,756.1 million to HK$8,992.8 million
- Retail sales in HK and Macau increased by 3.3% from HK$7,026.5 million to HK$7,259.4 million
- The Group's retail network increased from 280 to 287, a net increase of 7 stores
- Profit for the year was HK$838.8 million, a decrease of 10.3% from HK$935.2 million in last year
- Basic earnings per share were 29.5 HK cents as compared to 33.0 HK cents for the previous year
- Final and special dividends per share proposed are 14.5 HK cents (2014: 14.5 HK cents), making a total annual dividend of 23.5 HK cents per share (2014: 23.5 HK cents)
- The Group was included in the Hang Seng High Dividend Yield Index on 8 June 2015 and has been a constituent member of Hang Seng Corporate Sustainability Benchmark Index for four consecutive years since 2011. The Group is also a constituent member of the Hang Seng Composite MidCap Index

The Board of Directors of Sa Sa International Holdings Limited has pleasure in presenting the consolidated results of the Company and its subsidiaries ("Group") for the year ended 31 March 2015 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 31 MARCH 2015

	Note	**2015** **HK$'000**	2014 HK$'000
Turnover	4	**8,992,837**	8,756,105
Cost of sales	6	**(4,953,590)**	(4,683,118)
Gross profit		**4,039,247**	4,072,987
Other income	5	**118,445**	102,936
Selling and distribution costs	6	**(2,816,699)**	(2,728,230)
Administrative expenses	6	**(349,957)**	(341,209)
Other gains - net		**752**	7,022
Operating profit		**991,788**	1,113,506
Finance income		**18,162**	12,762
Finance costs		**(458)**	(305)
Finance income – net		**17,704**	12,457
Profit before income tax		**1,009,492**	1,125,963
Income tax expense	7	**(170,681)**	(190,728)
Profit for the year		**838,811**	935,235
Earnings per share for profit for the year (expressed in HK cents per share)	8		
Basic		**29.5**	33.0
Diluted		**29.5**	32.9
Dividends	9	**668,493**	667,971

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

	2015 **HK$'000**	2014 HK$'000
Profit for the year	**838,811**	935,235
Other comprehensive loss		
Item that will not be reclassified subsequently to profit or loss		
Actuarial gains/(losses) on retirement benefit obligation	**302**	(886)
Items that may be reclassified to profit or loss		
Cash flow hedges, net of tax	**(17)**	593
Currency translation differences of foreign subsidiaries recorded in exchange reserve	**(33,541)**	(8,770)
Other comprehensive loss for the year, net of tax	**(33,256)**	(9,063)
Total comprehensive income for the year	**805,555**	926,172

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015

	Note	2015	2014
ASSETS		**HK$'000**	HK$'000
Non-current assets			
Property, plant and equipment		**351,493**	405,436
Rental deposits, prepayments and other assets		**177,686**	214,652
Deferred tax assets		**13,903**	4,406
		543,082	624,494
Current assets			
Inventories		**1,382,775**	1,373,213
Trade receivables	10	**51,492**	52,118
Other receivables, deposits and prepayments		**249,046**	198,262
Time deposits		**643,976**	570,560
Cash and cash equivalents		**519,702**	418,780
		2,846,991	2,612,933
LIABILITIES			
Current liabilities			
Trade payables	11	**496,196**	391,574
Other payables and accruals		**328,190**	301,816
Income tax payable		**36,419**	83,889
Borrowings		**-**	80,000
		860,805	857,279
Net current assets		**1,986,186**	1,755,654
Total assets less current liabilities		**2,529,268**	2,380,148
Non-current liabilities			
Retirement benefit obligations		**5,677**	5,725
Deferred tax liabilities		**251**	293
Other payables		**48,832**	49,001
		54,760	55,019
Net assets		**2,474,508**	2,325,129
EQUITY			
Capital and reserves			
Share capital		**284,468**	284,306
Reserves		**2,190,040**	2,040,823
Total equity		**2,474,508**	2,325,129

Notes:

1 Basis of preparation

The consolidated financial statements are 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 derivative instruments, 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 Changes in accounting policies and disclosures

(i) Amendments and interpretation of standards mandatory for the first time for the financial year beginning 1 April 2014 and were early adopted in prior year

- HKFRS 10, HKFRS 12 and HKFRS 27 (Revised 2011) (Amendment), "Investment Entities"
- HKAS 32 (Amendment), "Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities"
- HKAS 36 (Amendment), "Recoverable Amount Disclosures for Non-Financial Assets"
- HKAS 39 (Amendment), "Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting"
- HK (IFRIC) Int 21, "Levies"

(ii) Early adoption of amended standards where early adoption is permitted

- HKFRS 10 and HKAS 28 (Amendment), "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in HKFRS 10 and those in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  The early adoption of the HKFRS 10 and HKAS 28 (Amendment) does not have any impact to the Group as the Group does not have any associates or joint ventures.

- HKFRS 10, HKFRS 12 and HKAS 28 (Amendment), "Investment Entities: Applying the Consolidation Exception" (effective for annual periods beginning on or after 1 January 2016). The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

  The early adoption of the HKFRS 10, HKFRS 12 and HKAS 28 (Amendment) does not have any impact to the Group as the Group does not have any investment activities as defined by HKFRS 10.

2 Changes in accounting policies and disclosures (continued)

(ii) Early adoption of amended standards where early adoption is permitted (continued)

- HKFRS 11 (Amendment), "Accounting for Acquisitions of Interests in Joint Operation" (effective for annual periods beginning on or after 1 January 2016). The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a "business" (as defined in HKFRS 3, "Business Combinations").

  All other principles of business combination accounting apply unless they conflict with HKFRS 11.

  The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained.

  The early adoption of HKFRS 11 (Amendment) does not have any impact to the Group as the Group does not have any joint operations.

- HKAS 1 (Amendment), "Disclosure Initiative" (effective for annual periods beginning on or after 1 January 2016). The amendments clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

  The early adoption of HKAS 1 (Amendment) does not have any material impact to the Group as the Group already complied with the requirements of the amendments.

- HKAS 16 and HKAS 38 (Amendment), "Clarification of Acceptable Methods of Depreciation and Amortisation" (effective for annual periods beginning on or after 1 January 2016). The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.

  The amendment to HKAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances:

  - where the intangible asset is expressed as a measure of revenue; or
  - where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

  The early adoption of the Amendments to HKAS 16 and HKAS 38 does not have any impact to the Group as the Group does not base on revenue as a method of depreciation or amortisation.

2 Changes in accounting policies and disclosures (continued)

(ii) Early adoption of amended standards where early adoption is permitted (continued)

- HKAS 16 and HKAS 41 (Amendment), "Agriculture: Bearer Plants" (effective for annual periods beginning on or after 1 January 2016). The amendments change the financial reporting for bearer plants. The amendments include bearer plants within the scope of HKAS 16, instead of HKAS 41. The produce growing on bearer plants will remain within the scope of HKAS 41.

  The early adoption of the HKAS 16 and HKAS 41 (Amendment) does not have any impact to the Group as the Group does not involve in any agricultural activities nor own any bearer plants.

- HKAS 27 (Amendment), "Equity Method in Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2016). The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. An entity can now account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

  - at cost; or
  - in accordance with HKFRS 9; or
  - using the equity method as described in HKAS 28

  The early adoption of the HKAS 27 (Amendment) does not have any impact to the Group as the Group is currently accounted for its investments in subsidiaries at cost in its separate financial statements.

- Annual Improvement to HKFRSs, 2012–2014 cycle (effective for annual periods beginning on or after 1 January 2016). It clarifies some definitions and disclosure requirement on some standards. The early adoption of Annual Improvement to HKFRSs, 2012–2014 cycle does not have any material impact to the Group as the Group has already followed these clarifications.

(iii) The following new standards have been issued but are not effective for the financial year beginning 1 April 2014 and have not been early adopted

- HKFRS 9 (2014), "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018)

- HKFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017)

The Group is in the process of making an assessment of the impact of these new standards in the period of initial application. These new standards are not likely to have a significant impact on the Group's financial statements and are not analysed in detail.

3. Estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors of the Group who make strategic and operating decisions.

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, inventories, receivables and operating cash. Capital expenditure comprises of additions to property, plant and equipment.

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

	For the year ended 31 March 2015			
	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
Turnover	**7,356,718**	**346,962**	**1,289,157**	**8,992,837**
Segment results	**877,762**	**(30,766)**	**(8,185)**	**838,811**
Other information				
Capital expenditure	**81,756**	**21,586**	**46,551**	**149,893**
Finance income	**14,558**	**778**	**2,826**	**18,162**
Finance costs	**458**	**-**	**-**	**458**
Income tax expense	**163,240**	**-**	**7,441**	**170,681**
Depreciation	**104,879**	**18,137**	**39,517**	**162,533**
Impairment of property, plant and equipment	**14,535**	**7,978**	**11,806**	**34,319**

4. Segment information (continued)

	For the year ended 31 March 2014			
	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
Turnover	7,122,090	365,820	1,268,195	8,756,105
Segment results	982,802	(67,761)	20,194	935,235
Other information				
Capital expenditure	210,110	18,387	39,329	267,826
Finance income	9,584	363	2,815	12,762
Finance costs	305	-	-	305
Income tax expense	174,767	-	15,961	190,728
Depreciation	112,431	36,494	39,055	187,980
Impairment of property, plant and equipment	121	9,141	3,408	12,670

	Hong Kong & Macau HK$'000	**Mainland China HK$'000**	**All other segments HK$'000**	**Total HK$'000**
At 31 March 2015				
Non-current assets	**418,503**	**28,104**	**96,475**	**543,082**
Current assets	**2,177,511**	**206,728**	**462,752**	**2,846,991**
				3,390,073
At 31 March 2014				
Non-current assets	488,758	32,212	103,524	624,494
Current assets	1,966,361	204,958	441,614	2,612,933
				3,237,427

5. Other income

	2015 HK$'000	2014 HK$'000
Slide display rental income	**62,376**	63,013
Sub-lease income	**56,069**	39,923
	118,445	102,936

6 Expenses by nature

	2015 HK$'000	2014 HK$'000
Cost of inventories sold	**4,906,235**	4,634,892
Employee benefit expenses (including directors' emoluments)	**1,142,540**	1,111,445
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**922,580**	886,113
- contingent rent	**83,404**	67,939
Advertising and promotion expenses	**167,019**	180,548
Depreciation of property, plant and equipment	**162,533**	187,980
Building management fees, government rent and rate	**84,908**	79,999
Utilities and telecom	**66,622**	66,070
Sub-lease expenses	**57,133**	46,676
Provision for slow moving inventories and stock shrinkage	**47,355**	48,226
Impairment and write-off of property, plant and equipment	**37,472**	14,668
Repair and maintenance	**36,124**	35,198
Donations	**5,420**	5,967
Auditors' remuneration		
- audit services	**3,685**	3,480
- non-audit services	**2,543**	870
Others	**394,673**	382,486
	8,120,246	7,752,557
Representing:		
Cost of sales	**4,953,590**	4,683,118
Selling and distribution costs	**2,816,699**	2,728,230
Administrative expenses	**349,957**	341,209
	8,120,246	7,752,557

7 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2014: 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.

	2015	2014
	HK$'000	HK$'000
Current tax:		
Hong Kong profits tax		
Current	**144,778**	156,275
Over-provision in previous years	**(173)**	(280)
Overseas taxation		
Current	**35,894**	34,593
Under-provision in previous years	**88**	672
Total current tax	**180,587**	191,260
Deferred tax:		
Origination and reversal of temporary differences	**(10,076)**	(532)
Impact of change in Malaysia tax rate	**170**	-
Total deferred tax	**(9,906)**	(532)
Income tax expense	**170,681**	190,728

8 Earnings per share

(a) Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less the total number of shares held under the Share Award Scheme during the year.

	2015	2014
	HK$'000	HK$'000
Profit attributable to owners of the Company	**838,811**	935,235
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**2,843,383**	2,834,224

(b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and shares held under the Share Award Scheme during the year. For the share options, a calculation is performed 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. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. For shares held under the Share Award Scheme, awarded shares granted to the employees but not yet vested as at 31 March 2015 has been included in the number of shares.

8 Earnings per share (continued)

	2015	2014
	HK$'000	HK$'000
Profit attributable to owners of the Company	**838,811**	935,235
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**2,843,383**	2,834,224
Adjustment for share options and awarded shares (thousands)	**4,248**	12,453
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,847,631**	2,846,677

9 Dividends

	2015	2014
	HK$'000	HK$'000
Interim, paid – 5.0 HK cents (2014: 4.5 HK cents) per share	**142,230**	127,852
Special, paid – 4.0 HK cents (2014: 4.5 HK cents) per share	**113,784**	127,852
Final, proposed – 9.0 HK cents (2014: 9.0 HK cents) per share	**256,021**	255,890
Special, proposed – 5.5 HK cents (2014: 5.5 HK cents) per share	**156,458**	156,377
	668,493	667,971

At a meeting held on 25 June 2015, the directors proposed a final dividend of 9.0 HK cents and a special dividend of 5.5 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 2016 if approved by the shareholders.

10 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 90 days. The ageing analysis of gross trade receivables is as follows:

	2015	2014
	HK$'000	HK$'000
Within 1 month	**47,861**	49,507
1 to 3 months	**3,472**	2,485
Over 3 months	**947**	526
	52,280	52,518

The carrying amounts of trade receivables approximate their fair values.

11 Trade payables

The ageing analysis based on invoice date of trade payables is as follows:

	2015	2014
	HK$'000	HK$'000
Within 1 month	**328,837**	278,721
1 to 3 months	**144,030**	88,361
Over 3 months	**23,329**	24,492
	496,196	391,574

The carrying amounts of trade payables approximate their fair values.

MANAGEMENT DISCUSSION & ANALYSIS

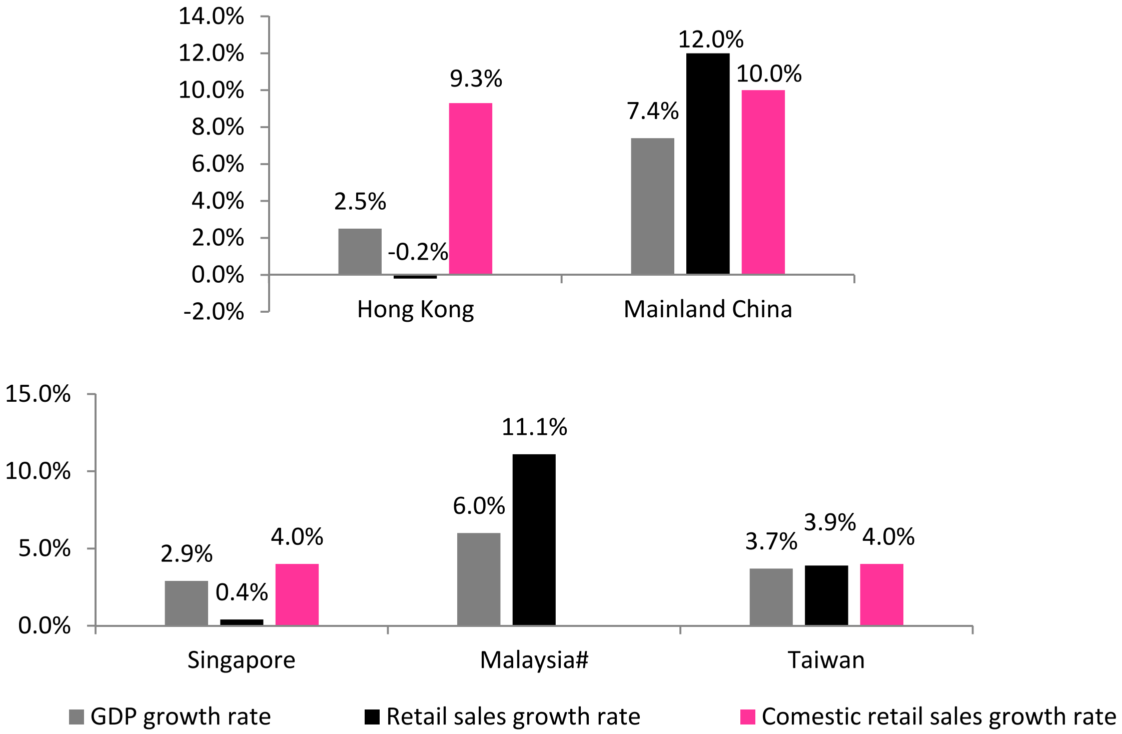
During the fiscal year, the Group's turnover rose 2.7% to HK$ 8,992.8 million from HK$8,756.1 million in the previous year. Retail sales in Hong Kong and Macau increased by 3.3% year-on-year from HK$7,026.5 million to HK$7,259.4 million. The Group's retail network expanded from 280 to 287.

The Group's profit for the year was HK$838.8 million, a decrease of 10.3% over the HK$935.2 million achieved in the last fiscal year. Basic earnings per share were 29.5 HK cents, as compared to 33.0 HK cents in the previous year. The Group's gross profit margin for the fiscal year decreased from 46.5% last year to 44.9% this year. The Group's net profit margin decreased to 9.3% from 10.7%. Final and special dividends per share proposed are 14.5 HK cents.

The Group continued to attain a number of outstanding achievements during the year. In the "Retail Asia-Pacific Top 500" rankings of Retail Asia Magazine and Euromonitor in 2014, Sa Sa was recognised as a leading cosmetics retail chain in Asia and one of the top ten retail groups in Hong Kong. The Group was included as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index for the fourth consecutive year. Sa Sa also continues to be a constituent member of the Hang Seng Composite MidCap Index, and was included in the Hang Seng High Dividend Yield Index on 8 June 2015, and has become a qualified stock in the Shanghai-Hong Kong Stock Connect programme, being open for trading by investors in the Mainland Chinese stock market.

Market Overview

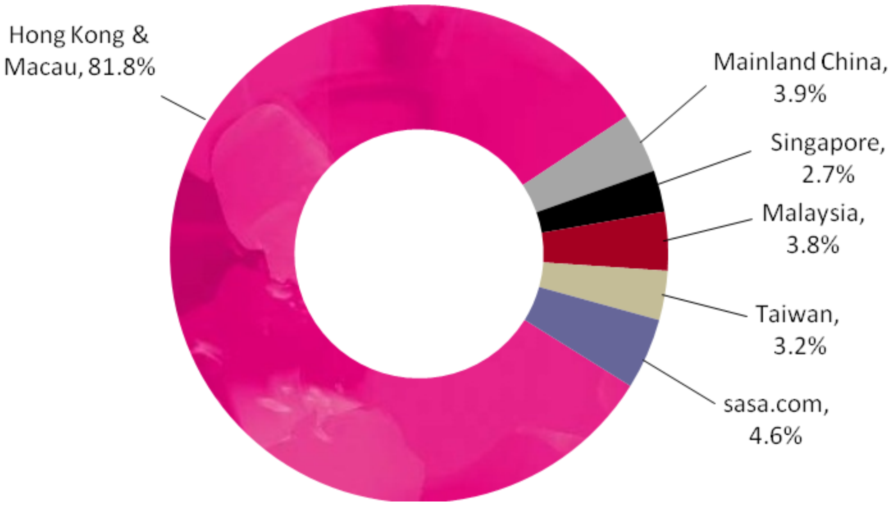
<u>GDP / Retail Sales / Cosmetics Retails Sales Growth By Market</u>



Note:
1) *All of the above data are sourced from the corresponding governments' statistics bureaus.*
2) *There are some inconsistency in definition and survey methodology for cosmetics retail sales by different government statistics bureaus.*
\# *There were no cosmetics Retails Sales statistics provided from Malaysia Government.*

Retail and Wholesale Business

FY14/15 Turnover Mix By Market

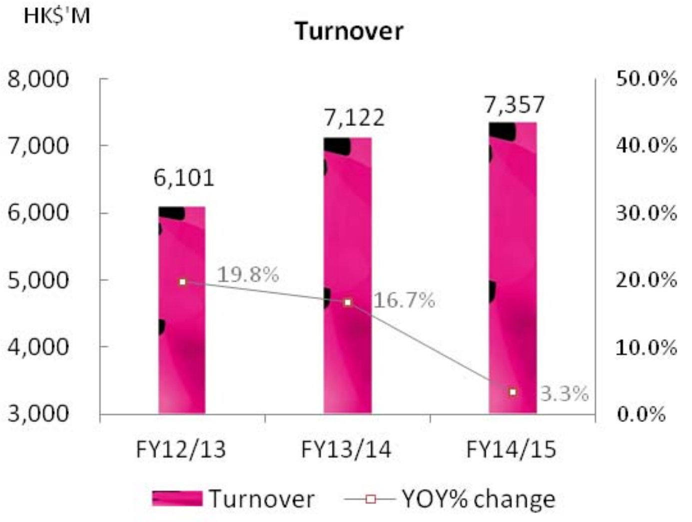


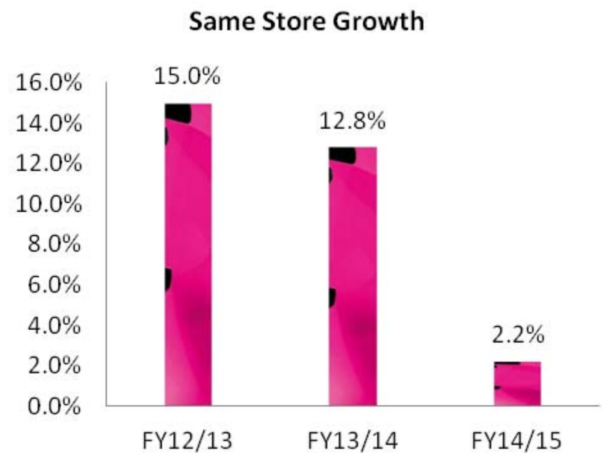
Store Network By Market

No. of Retail Outlets	As of 31 Mar 14	Opened	Closed	As of 31 Mar 15
Hong Kong & Macau	106	9	(8)	**107**
Mainland China	61	15	(14)	**62**
Singapore	22	1	(2)	**21**
Malaysia	53	11	(5)	**59**
Taiwan	29	6	(3)	**32**
Total	271	42	(32)	**281**

Note: *As at 31 March 2015, there were three single-brand stores in Hong Kong & Macau and three single-brand counters in Mainland China, totaling 287 retail outlets for the Group.*

Hong Kong and Macau





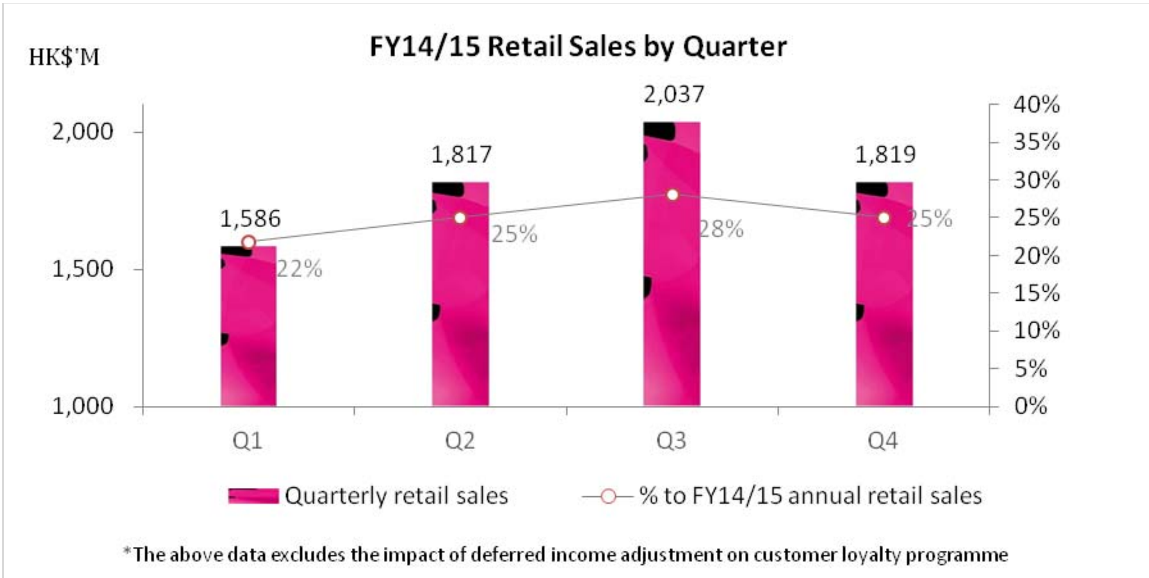
During the fiscal year, Sa Sa continued to uphold its leading market position in Hong Kong and Macau, which once again were the primary contributor to the Group's turnover and profits. Turnover in Hong Kong and Macau increased by 3.3% year-on-year from HK$7,122.1 million to HK$7,356.7 million and same store sales rose 2.2%. The number of transactions rose 6.8% while the total average sales value per ticket decreased by 3.3%.

To place these figures in context, the number of transactions of Mainland China tourists increased by 17.4% while average sales value per ticket decreased by 11.3%. The number of transactions by local consumers declined slightly by 2.4% with an average spending increase of 4.3%. In short, sales growth for once lagged behind the market.

Our overall performance was impacted by a number of positive as well as some less helpful factors. Our retail sales remained on a relatively consistent upward path as the Group continued to benefit from the steady increase in sales to both local residents and Mainland tourists.

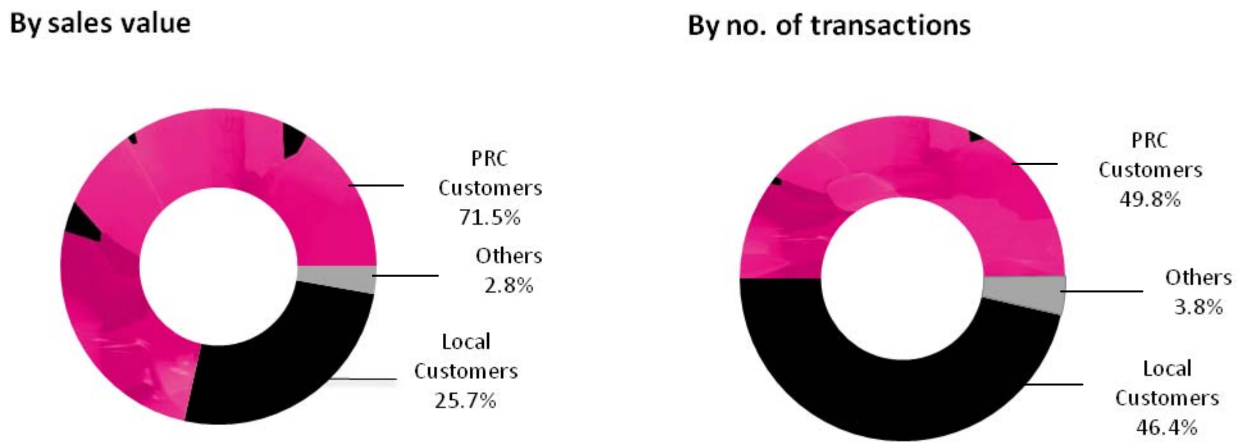
In 2014, Mainland tourist arrivals rose by a steady 16.0%. Same day visitor arrivals were still the leading engine of growth with an increase of 19.1%, raising sales in our non-tourist areas, particularly in the New Territories near the border with the rest of China.

However, this was offset by an 11.3% drop in the average ticket sales of Mainland tourist customers, which in turn was attributable to the weaker purchasing power of tourists originating from lower tier cities and having less spending capability. Another factor was the increasing demand for lower price point products, such as Korean products, which still diluted sales growth although driving store traffic. In addition, there was a higher sales mix from day trippers whose spending is generally lower than overnight tourists. The change in consumption patterns was further exacerbated by the rise of cross border e-commerce, which facilitated much faster market penetration of cheaper and fast to market Korean products with concepts that are well liked by Asians, and in particular the increasingly affluent Chinese consumers.



Although we reported 10.2% retail sales growth in the first half of the fiscal year, sales were dragged by weaker consumer sentiment in the second half. Sales growth slowed in the third quarter and further deteriorated in the fourth quarter with March 2015 being especially weak because of anti-parallel goods traders incidents in residential areas, turning an otherwise positive January to February two months' period into negative territory for the fourth quarter.

Customer Mix (for FY14/15 retail sales)



In addition, the appreciation of the US dollar and the relative strength of the Renminbi and Hong Kong dollar encouraged more Mainland tourists to travel to markets with weaker currencies such as Europe and South Korea. The relaxation of visa policies by other countries strengthened their attractiveness to Mainland tourists, while strong outbound travelling led to weaker local spending. The Occupy Movement and anti-parallel goods traders incidents in Hong Kong damaged Hong Kong's profile and discouraged tourists while also causing a drop in sales to local customers.

Overall, profitability was pulled lower by margin pressures. The gross profit margin dropped from 46.6% to 44.8% due to more promotions being launched to drive sales in a slower market. Moreover, we introduced a higher non-house brand mix in some popular product categories, such as Korean products, in order to more rapidly respond to changes in consumer preferences. However, broadening our own house brand mix remains our strategy for the long term.

Further positive factors were the effectiveness of our operating costs' controls, which offset some of the margin pressures, and the overall consistent and disciplined management of our rental costs.

There was a net increase of only one "Sasa" store during the year, which is clear evidence of our efforts to optimise the productivity of our store portfolio as well as our stringent rental costs management.

Mainland China

During the year, there was a decrease in overall sales growth due to the management's focus on rolling out boutique stores that make a higher profit contribution at the store level. Ten traditional stores that were under-performing and with operating losses were closed while 12 boutique stores were opened. The Group's turnover in Mainland China decreased by 4.6% to HK$347.0 million, and same store growth decreased by 5.6% in local currency.

Although turnover slightly declined, boutique stores of a smaller size continued to contribute to overall profitability, which meant that operating losses were further narrowed. Overall, we continued to strengthen our presence in southern China.

Other Regions

We appointed a new Senior Vice-President in charge of Singapore, Malaysia and Taiwan last year to build the management team and competence, increase same store productivity and enhance our product portfolio. However, the initial performance of the team was impacted by the transitional management changes that accompanied this new appointment.

Singapore

During the fiscal year, turnover for the Singapore market decreased by 2.6% in local currency to HK$243.7 million. Same store sales dropped by 5.9% in local currency. The slower sales growth was mainly due to slower domestic income growth, resulting in weaker retail sentiment. Tourism was also affected by the tragedy of the missing Malaysian Airlines passenger plane, with the top two tourist originating countries of Indonesia and China both seeing shrinkage in arrivals during the year.

The challenge of filling vacancies for frontline staff and Singapore's acute manpower constraints adversely affected our store productivity. Moreover, persistent high rental costs and dilution of sales due to the excessive increase in overall Singapore retail space contributed to the losses.

Malaysia

Turnover in our Malaysia market increased 6.1% in local currency to HK$340.3 million. Same store sales decreased 0.2% in local currency.

Our retail sales and profit growth were impacted by changes in the management team, which adversely affected store productivity and our performance during the transitional period. The missing Malaysian Airlines plane tragedy also caused a drop in tourism numbers.

We continued to expand our store network to provide enhanced service to our customers and to increase our competitiveness.

Taiwan

Turnover in the Taiwan market during the year was HK$289.2 million, a rise of 5.7% in local currency. Same store sales grew by 1.6% in local currency.

Sales were boosted by the enhanced house brand product mix and introduction of lower priced products and promotions, which drove traffic and sales through cross-selling. Our strategic store expansion plan began to bear fruit and we were able to capture the growth potential of increasing numbers of Mainland Chinese visitors.

E-commerce – sasa.com
Turnover for sasa.com amounted to HK$416.0 million, a rise of 5.6% over the previous fiscal year. Our performance in the Mainland China market was boosted by more focus on flash sales and their associated purchases, enhanced marketing capability and optimisation of channel advertisements, as well as localised payment gateways. These positive factors were partially offset by declining sales in other markets due to resource re-allocation.

During the fiscal year, we optimised current marketing vehicles to drive sales, such as email marketing, search engine marketing, affiliate marketing and social media platforms. However, profitability was eroded due to increased investment and advertising and promotion expenses, such as search engine display advertisements.

However, we also enhanced brand awareness through a number of successful campaigns during the year. We launched an iPad app, which quickly attained a high sales participation and conversion rate. The iPad app received the “Best Retail Mobile Application” Award in the MobileWebAwards 2014.

We further developed our social media platform partnerships with WeChat, Weibo and YouTube, with the number of our Weibo fans increasing from 1.4 million to 2.1 million. sasa.com was awarded “Weibo Star – Top 10 Most Influential Hong Kong Corporations” by Sina Hong Kong for the second consecutive year. In 2014, we were ranked in first place for the same award.

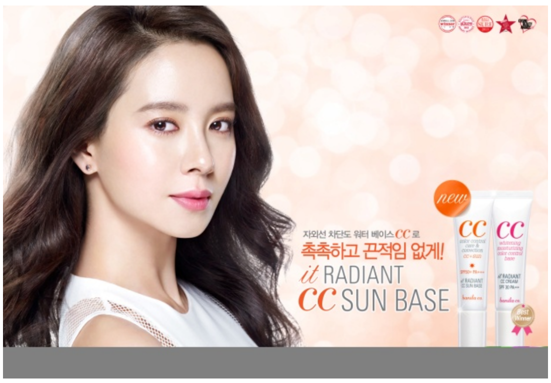
Brand Management

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

During the year, the Group’s sales mix of owned brand, sole agent and exclusively distributed products, collectively referred to as House Brands, decreased from 44.2% to 43.3%.

This performance was due to several factors. In order to enhance product competitiveness to attract traffic in a slower market, we strategically broadened our choices to include more parallel import products that are faster time to market. High-price house brand products, which make up a larger percentage of our house brand sales mix, underperformed due to consumers preferring mid- to low-price products and Korean products.

The transitional change of management in our product development team adversely affected the timeliness of our response to this fast changing market. With Korean products outshining all others, we began to cater to the higher demand for Korean products by launching a wider range of Korean product offerings, with the result that their sales rose 46.8% in Hong Kong and Macau. However, sales of non-house brand Korean products continued to outgrow our house brand Korean products.



Outlook and Strategies

The Group expects the coming fiscal year will continue to be challenging. However, some of these challenges may offer opportunities, such as cross-border e-commerce facilitated by Free Trade Zones. We expect the pace of Mainland China tourist arrivals will continue to slow and that local consumption sentiment will remain weak. A strong Hong Kong dollar will continue to make shopping overseas more attractive for Mainland Chinese and local consumers, while price competition will add pressures to a slower market. The social and political situation in Hong Kong, possible policy revisions on cross border e-commerce and the ongoing pace of change in consumer preferences may add further uncertainties to the slower retail market environment. As a result, our FY15/16 quarter-to-date (i.e. period up to 21 June 2015) retail sales and same store sales in Hong Kong and Macau declined by 7.6%^ (FY14/15 1st Quarter: +5.9%^) and 5.8%^ (FY14/15 1st Quarter: +1.9%^) year-on-year respectively.

In order to meet these challenges, the Group will focus on tapping the opportunities of O2O and cross-border e-commerce. Our O2O initiatives will initially launch in Hong Kong and gradually extend to our markets outside Hong Kong. Our long-term e-commerce goal is to allocate more resources to drive our O2O operating capabilities, thereby benefiting both the turnover and profit contribution from all existing markets including our online business.

In addition, we will make further efforts to strengthen our own labels, enhance our brands with storyline and marketing investments, and improve the appeal of our product offerings. Initiatives will include targeting product gaps in our offering, and identifying consumers' preferences for new products as well as their ever-changing requirements in regard to product functions, with the aim of providing appropriate products to satisfy these demands.

Hong Kong and Macau

In the short term, the Group expects strong headwinds due to the slowdown of Mainland Chinese tourist arrivals in Hong Kong and their weaker spending patterns. Hong Kong's overnight Mainland China tourist growth is lagging behind neighboring competitors such as South Korea, Japan and Taiwan.

The ongoing anti-corruption campaign in the Mainland is impacting demand for high-priced items and gift sets. There are also new measures in force to curb multi-entry visas: Shenzhen residents with multi-entry visas will be limited to just one visit a week to Hong Kong beginning April 13, 2015. The Hong Kong SAR Government expects total visits to Hong Kong from the Mainland are estimated to decrease by 4.6 million a year.

^ *The above data excludes adjustments according to Hong Kong International Financial Reporting Interpretation Committee - Interpretation 13 Customer Loyalty Programmes on the bonus points scheme*

At the same time, the strength of the US and Hong Kong dollar will continue to drive local consumers in Hong Kong to spend overseas while Mainland tourists will increasingly visit countries with weaker currencies. Intensifying competition within the cosmetic industry is a further challenge, with ongoing discount and promotion programmes encouraging entry into the market of Korean cosmetics sellers. Moreover, these challenges are arising against the backdrop of a sensitive political situation in Hong Kong and anti-Mainland Chinese tourist sentiment.

Positive factors

However, the Group believes there are several positive factors to counter these headwinds. Our gross profit margin pressure is expected to ease somewhat since we have experienced a complete cycle of price adjustments since 2013. Rental pressure is also expected to moderate in a slower market, which will mean relatively less pressure to drive sales to contain our cost structure. Furthermore, we have proven that it is possible to manage rental costs by rationalising our store portfolio and we believe that there is further scope to act in this manner.

Overall, the Group is still cautiously optimistic about the long-term growth outlook of Hong Kong retail sales. We believe that Mainland Chinese residents, especially those in lower tier cities, will have higher disposable income in the coming years. Further integration into China by enhanced transportation, such as the high-speed rail link and the Hong Kong-Zhuhai-Macau bridge, will mean shorter travel times for Mainland visitors, while the Free Trade Zone in Guangdong will more closely integrate Guangdong and Hong Kong so that both cities can enjoy mutual benefits. The Hong Kong SAR Government's initiatives to boost local spending, such as the "Happy@Hong Kong Super JETSO" campaign, as well as higher budgets for tourism promotion overseas, will also stimulate the market.

Going forward, the Group will develop the O2O business model and digitise the personal services of our beauty consultants. We aim to capture the potential of sales to Mainland customers after their return to the Mainland by optimising our cross border e-commerce operations and using social media to promote and project our business into the Mainland, thereby strengthening customer loyalty, driving development of our online business, and improving our online gross profit margins.

Other initiatives include: introducing more good value products to cater for the change in customer needs towards lower priced products; strengthening the visual merchandising of Korean products in our shops; rolling out more attractive promotions to tap both tourist and local customer demand; enhancing the incentive programmes for frontline staff; and improving training.

We firmly believe that our cost flexibility will help to mitigate the impact of a slower market on our sales. In our proposed network restructuring, we will close a number of stores now considered excessive in tourist districts. Since these rely on overnight Mainland China tourists, and they have shown slower growth than those in residential areas, we will not renew old leases taken out in a different retail environment. By contrast, we will increase store numbers in districts with faster growth, for example western and northern New Territories, where rents are lower than in tourist districts. This will allow us to leverage on the faster payback period, which will not exert so much pressure on capital expenditure.

Mainland China

Competition in the Mainland China cosmetics market is intensifying at the low end to mid price brackets due to the rise of local and Korean brands. In recent years, some foreign brands such as Garnier and Revlon have exited the China market due to this highly competitive environment.

Meanwhile, the dynamics of the cosmetics market are also changing, with internet retailing growing at a rapid pace. As cheaper products continue to attract increasing attention online, more expensive products have to work harder to compete. E-commerce companies that offer discounted prices for premium products are also making it more difficult for premium brands to compete.

In response to these challenges, the Group has been strengthening the network in our Southern cluster, especially in prime locations in large-scale shopping malls, where we enjoy a higher competitive edge and better brand awareness. In addition to increasing market penetration, this strategy has also driven significant operational efficiency in the Southern cluster.

We are gradually adopting a lower cost and more efficient smaller store format with new store openings to enhance cost efficiency and profitability and gear up our scope of expansion. We believe operating losses will be improved gradually as the Group's successful store refurbishment increasingly bears fruit. We will continue to expand our store network to focus on profit making regions and cities but the rate of expansion will depend on overall operational readiness including supply chain readiness.

Going forward, the Group will strengthen our management structure and training, re-designate purchasing department job functions and change work processes to increase effectiveness and coordination, automate systems, and improve departmental coordination to increase operational effectiveness and scalability. This will allow us to execute our next most important strategy: to improve our product offerings and to better leverage on the competitive edge of our products and build our retail network to gain market share.

We will strengthen the morale of frontline staff by upgrading our store classification mechanism. In order to drive targeted sales, we will optimise our shop supervisors' commission scheme, as well as implement an annual KPI assessment for our operational managers. The Group's investment in business process regeneration and system automation will allow us to improve our operational efficiency and execution capability, thereby reducing the impact of staff turnover and improving scalability.

Other operational improvements will include a localised product strategy to enhance product appeal and to further strengthen cooperation with suppliers of local brands, as well as an enhanced Customer Relationship Management system to enable more engagement with our VIPs on social media platforms such as Weibo and WeChat.

Singapore, Malaysia and Taiwan

The Group has appointed a Senior Vice-president to head these three markets. This senior executive will devote more expertise and management resources to further drive our business, which in turn, will enable improvements in overall strategic development as well as execution power.

Singapore

Given a more difficult operating environment with weak local spending and falling tourist arrivals, in particular Mainland Chinese arrivals, we will be reviewing our store portfolio and rationalising our underperforming stores with the objective of implementing pre-term closures and investing in outlets with a better return on capital and human resources.

We will review our product mix and product categories in order to enhance product assortment for new stores and refitted stores. The Group aims to explore exclusive brands with higher margins to minimise inventory risk and marketing investment. We will also tap our local sales market share via close collaboration with local vendors, and focus on better advance planning for new launches and exclusive promotions.

In order to rationalise our store network, the Group will close inefficient stores, and open stores in new malls with good potential. To cope with the persistent constraints in manpower, we will enhance staff product knowledge and monitor staff productivity. The Group will also work on staff retention to minimise the loss of experienced sales staff and convert more job scopes into automation so that employees can concentrate on analytical and quality enhancement.

Malaysia
In order to further build our retail network, the Group will identify high traffic locations for new stores and expand into new regions. We will improve the professional training of our staff and enhance our product portfolio by introducing new brands and products with strong potential. Streamlining and reviewing brand performance will be another of our priorities, with a nationwide launch of concurrent brands and a focus on sourcing new and exclusive products across all product categories.

The implementation of the Goods and Services Tax in April 2015 will make Malaysian consumers more disposed to save by spending less on discretionary items. Against this backdrop, the Group will launch a bonus points programme in the second half of the new fiscal year to help increase our customer base and competiveness, thereby lessening any negative impacts.

Taiwan
The number of Mainland consumers in Taiwan is expected to increase in view of its enhanced infrastructure and retail space, as well as the introduction of unlimited visa quotas for high-end Mainland Chinese tourists who have greater spending capacity. The Group has already opened stores in tourist locations to tap the potential of increasing Mainland Chinese tourist arrivals. We will continue to improve our network with the aim of introducing "Sasa" stores in each county of Taiwan.

E-commerce – sasa.com
sasa.com has various market challenges to face, such as cross-border and online/offline competition, as well as intensifying price competition from other shopping websites and mobile apps; for example, 80% of products sold online are discounted, flash sales and group buying.

However, strong growth in the Mainland China market is expected as a counterbalance to these challenges and the Group will launch fresh initiatives to grow our customer base in order to maximise revenue. For overseas markets, we will devote further efforts to enhancing market share, especially in regard to new customer acquisition.

In regard to O2O, we will develop our online platform to strengthen cooperation with our physical stores and leverage the capability of our beauty consultants and online marketing expertise to highlight the attractive product offerings of our online and offline stores. We will focus on platform synchronisation to adapt and cater to consumers' shopping habits, especially mobile users, and enhance the efficiency of all new devices that modern consumers use.

The Group has launched a new Mainland China shopping site, mobile site and app to better target the Prime Revenue Driving Country and to offer a better user experience: for example, though an enhanced search engine and by creating customers' personal purchasing histories and recommendations.

We will refine our product strategy in order to tap the opportunities of market trends, with Korean products being the major area of focus. The Group will also continue to optimise current marketing channels including search engine marketing, affiliate marketing, email marketing and social media to increase traffic and conversion rates. A new Customer Relationship Management programme will be developed to increase repeat purchases and customer retention. At the same time, we will continue to explore potential partnerships and alliances.

Conclusion

Sa Sa has a long track record of delivering outstanding success in all economic climates and in the face of contrary headwinds and difficulties. We continue to have faith that we can progressively build our competitiveness in the years to come and turn challenges into opportunities, such as those offered by O2O, by evolving consumer patterns and by the long-term growth of the less affluent parts of Mainland China. It is our belief that the inherent flexibility and scalability of our business model, with its ability to rapidly adapt to new circumstances, markets and trends, will continue to support our position as a leading provider of beauty products in the Asia Pacific. We also believe that the resilience and adaptability of our loyal staff and the forward vision of our outstanding management team will ensure that we deliver sustained, world-class growth for many years to come.

Human Resources

As at 31 March 2015, the Group had a total of over 5,000 employees. The Group's staff costs for the year under review were HK$1,142.5 million.

Human capital is our important asset. The Group thus provides quality human resources services to attract, develop, motivate and retain an engaged workforce within a supportive work environment. In order to foster a work environment that attracts and inspires our people to achieve excellent performance, remuneration packages and staff benefits are reviewed on a regular basis. Various combinations of performance-based remuneration components, such as annual merit bonus, are always in place for consideration so as to motivate and reward our employees.

The Group takes talents seriously through orientation, coaching, comprehensive training and development programmes, on-the-job training, and structured performance management approach to assure that the potential of our employees are fully realised. Furthermore, the Group aims at developing potential future leaders and offers exciting opportunity for high calibre university graduates to join our Management Trainee Programme every year. The provision of financial subsidies for our employees to further studies in their related fields of career is also available. The Group also holds in high regard the relationship with its employees and has thus organised various team-building activities that can help strengthen staff relationship and encourage a sense of belonging among our people.

Financial Review

Capital Resources and Liquidity

As at 31 March 2015, the Group's total equity funds amounted to HK$2,474.5 million including reserves of HK$2,190.0 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$1,163.7 million. The Group's working capital was HK$1,986.2 million. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances and readily available banking facilities, the Group has adequate liquidity and financial resources to meet the working capital requirements as well as to fund its budgeted expansion plans in the next financial year.

During the year, the majority of the Group's cash and bank balances were in Hong Kong dollar, Malaysian Ringit, Renminbi, Singapore dollar, New Taiwan dollar, US dollar, Swiss Franc and Euro and deposited in reputable financial institutions with maturity dates falling within a year. This is in line with the Group's treasury policy to maintain liquidity of its funds and continue to contribute a relatively stable yield to the Group.

Financial Position

Total funds employed (representing total equity) as at 31 March 2015 were HK$2,474.5 million, representing a 6.4% year-on–year increase.

The gearing ratio, defined as the ratio of total borrowings to total equity, was zero as at 31 March 2015 (31 March 2014: 3.4%).

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 borrowings during the year. Most of the assets, receipts and payments of the Group are denominated either in Hong Kong dollar, US dollar, Euro or Renminbi. Based on purchase orders placed, the Group enters into forward foreign exchange contracts with reputable financial institutions to hedge against foreign exchange exposure arising from non-Hong Kong dollar or US dollar denominated purchases. These hedging policies are regularly reviewed by the Group.

Charge on Group Assets

As at 31 March 2015, no asset of the Group was under charge to any financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 31 March 2015.

Capital Commitments

As at 31 March 2015, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$213.0 million.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommends a final dividend of 9.0 HK cents (2014: 9.0 HK cents) per share and a special dividend of 5.5 HK cents (2014: 5.5 HK cents) per share for the year ended 31 March 2015, such dividends will be proposed for approval at the annual general meeting ("AGM") of the Company on Wednesday, 19 August 2015, and, if approved, are payable to shareholders whose names appear on the Register of Members of the Company on Wednesday, 26 August 2015.

Subject to approval by the Company's shareholders at the AGM, the final dividend and special dividend will be paid on or around Friday, 4 September 2015.

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 2015. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2015 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited 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 this preliminary announcement.

BUY-BACK, SALE OR REDEMPTION OF SHARES

During the year ended 31 March 2015, there was no buy-back, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries, except that the trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 1,450,000 shares at a total consideration of about HK$8.5 million.

CORPORATE GOVERNANCE

The Company believes that its business can only be sustainable and beautiful to its stakeholders in the broadest sense when guided by a strong corporate governance culture. The Company is committed to maintaining a high standard of corporate governance practices in the firm belief that they are essential for achieving the best protection and balance among the different stakeholders of the Group: shareholders, investors, employees, customers, suppliers and the community. The Company strives to continuously improve its corporate governance culture without losing sight of its need for competitiveness in the market. The Company achieves this through its competent and effective Board of Directors, which oversees an effective internal controls and risk management regime that operates with transparency and accountability to the Shareholders.

Compliance with the Corporate Governance Code ("CG Code")

Throughout the year ended 31 March 2015 and up to the date of this announcement, the Company has complied with all the code provisions in the CG Code with only one exception as described in the paragraph below. Where appropriate, the Company has adopted the recommended best practices under the CG Code.

Chairman and Chief Executive Officer
The Company has deviated from Code Provision A.2.1 in that Dr KWOK Siu Ming Simon performs the dual roles of Chairman and Chief Executive Officer (CEO) of the Company. The Company believes that it continues to maintain robust governance standards while at the same time benefiting from having Dr Kwok at the helm and the Company considers his valuable experience in the cosmetics industry a great benefit to the Group. The Company also believes that the balance of power and authority is ensured by the current board composition, which comprises five independent non-executive directors, representing 55.6% of the total board. The Company will regularly review the board's structure going forward in light of the evolving needs of the Group and consider segregation of the two roles if and when appropriate. The respective responsibilities of the Chairman and CEO are clearly set out in the respective Terms of Reference for the Chairman and the CEO, which are available on the Company's website.

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

The Company has adopted a policy regarding securities transactions by directors of the Company on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors, all of them have confirmed their compliance with such a policy throughout the reporting period.

The annual report of the Company for the year ended 31 March 2015 containing more information on its corporate governance practices will be dispatched to the shareholders on or around Friday, 17 July 2015, 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

For the purpose of determining shareholders' eligibility to attend and vote at the AGM and entitlement to the final and special dividends (if payable), the Register of Members of the Company will be closed in accordance with the following timetable:

(i) For determining shareholders' eligibility to attend and vote at the AGM:

● Latest time to lodge transfer documents for registration	4:30 p.m. on Monday, 17 August 2015
● Closure of Register of Members	Tuesday, 18 August 2015 to Wednesday, 19 August 2015 (both dates inclusive)
● Record date	Wednesday, 19 August 2015

(ii) For determining entitlement to the final and special dividends (if payable):

● Latest time to lodge transfer documents for registration	4:30 p.m. on Monday, 24 August 2015
● Closure of Register of Members	Tuesday, 25 August 2015 to Wednesday, 26 August 2015 (both dates inclusive)
● Record date	Wednesday, 26 August 2015

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, or to qualify for the final and special dividends, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than the time set out above.

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
Sa Sa International Holdings Limited
KWOK Siu Ming Simon
Chairman and chief executive officer

Hong Kong, 25 June 2015

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

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

Non-Executive Director
Ms LEE Yun Chun Marie-christine

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